

ESSENTIAL PUBLIC INFRASTRUCTURE CAPITAL II GMBH

(incorporated in the Federal Republic of Germany)

€79,000,000

Credit Linked Notes

€ 250,000

Class A+ Floating Rate Credit Linked Notes
Issue Price: 100%

€ 45,000,000

Class A Floating Rate Credit Linked Notes
Issue Price: 100%

€ 9,000,000

Class B Floating Rate Credit Linked Notes
Issue Price: 100%

€ 9,000,000

Class C Floating Rate Credit Linked Notes
Issue Price: 100%

€ 9,000,000

Class D Floating Rate Credit Linked Notes
Issue Price: 100%

€ 6,750,000

Class E Floating Rate Credit Linked Notes
Issue Price: 100%

The Class A+, Class A, Class B, Class C, Class D and Class E Notes (each such class a "**Class of Notes**", and all notes collectively the "**Notes**") of Essential Public Infrastructure Capital II GmbH (the "**Issuer**") are credit linked to the performance of (a) a replenishable reference pool (the "**Reference Pool**") of (i) claims under certain project finance loans (which term shall include loans, wrapped bonds/wrapped loans, other bonds, and finance instruments and each such project finance loan, a "**Project Loan**"), and (ii) claims under certain guarantee indemnities made in connection with project financing (each such guarantee indemnity, a "**Project Guarantee Indemnity**", and each such Project Loan or Project Guarantee Indemnity, a "**Reference Obligation**") for the payment of principal arising from certain project finance loans originated, including by acquisition from a third party, by DEPFA BANK plc ("**DEPFA**" or the "**Bank**") or any consolidated banking subsidiary of the Bank (each an "**Affiliate**", each of the Bank and any of the Affiliates, a "**Bank Entity**") or in which the relevant Bank Entity has acquired an economical interest by way of subparticipation and serviced by a servicer, and (b) the Reference Obligations. A Reference Obligation may be secured by certain collateral (or a portion thereof) held or acquired from time to time by the relevant Bank Entity, or, in the case of a subparticipation, the participant, or by a third party for the rateable benefit of, *inter alia*, the relevant Bank Entity, or, in the case of a subparticipation, the participant (the "**Reference Collateral**"). Certain characteristics of the Reference Obligations and the Reference Collateral which are included in the Reference Pool as of 30 April 2006 (the "**Cut-off Date**") or from time to time thereafter are described herein under "DESCRIPTION OF THE REFERENCE POOL". The Reference Obligations are denominated in Sterling, US\$, Euros, Japanese Yen or the lawful currency of the Relevant Country). On any Re-set Date, the Bank may re-set the Outstanding € Equivalent Amount of any Non-€ Reference Obligation by a new Outstanding € Equivalent Amount determined by application of a current Bank Exchange Rate, provided that certain Re-set Conditions are met. The Initial Aggregate Principal Balance of the Reference Obligations included in the Initial Reference Pool was €718,054,748. The Bank may increase the size of the Reference Pool up to €900,000,000 by adding Reference Obligations to the Reference Pool or by Re-set of Non-€ Reference Obligations following the Issue Date in accordance with the provisions set forth herein.

This document constitutes a prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") on the prospectus to be published when securities are offered to the public or admitted to trading.

Application has been made to the Irish Financial Services Regulatory Authority ("**IFSRA**"), as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area.

Interests in the Temporary Global Note will be exchangeable for interests in a Permanent Global Note on or after the date which is expected to be 28 August 2006 upon certification as to non-U.S. beneficial ownership.

Merrill Lynch International (the "**Lead Manager**") will purchase the Notes from the Issuer on 18 July 2006 (the "**Issue Date**") and will offer the Notes, from time to time, in negotiated transactions or otherwise at varying prices to be determined at the time of sale.

Arranger and Lead Manager
Merrill Lynch International

The date of this Prospectus is 14 July 2006.

Given the complexity of the Terms and Conditions, an investment in the Notes is suitable only for experienced investors who understand and are in a position to evaluate the risks inherent therein. For the definitions of capitalised words and phrases appearing in this Prospectus see the Section entitled "Transaction Definitions Schedule".

For a discussion of certain significant factors affecting investments in the Notes, see "RISK FACTORS".

RESPONSIBILITY ATTACHING TO THE PROSPECTUS

This Prospectus serves, *inter alia*, to describe the Notes, the Issuer, the Counterparty (as defined below), the Bank, the Certificates (as defined below) the Reference Obligations and the Reference Pool.

The Issuer is responsible for the information contained in this Prospectus except that:

- (i) the Trustee only is responsible for the information under "THE TRUSTEE - Description of the Trustee",
- (ii) the Bank only is responsible for the information under:
 - "SUMMARY - The Reference Pool",
 - "RISK FACTORS – Changing Characteristics of the Reference Pool"
 - "RISK FACTORS – Typical Risk Factors and Mitigants Associated with Infrastructure Projects"
 - "RISK FACTORS – Re-sets of Non-€ Reference Obligations"
 - "RISK FACTORS – Reliance on Administration and Collection Procedures"
 - "RISK FACTORS – Conflicts of Interest of the Bank"
 - "DESCRIPTION OF THE REFERENCE POOL" (except for the information under "DESCRIPTION OF THE REFERENCE POOL - Reference Pool Provisions - Eligibility Criteria"),
 - "REFERENCE POOL SERVICING",
 - "CREDIT AND COLLECTION POLICIES" and
 - "THE BANK",
- (iii) KfW ("**KfW**" or the "**Counterparty**") only is responsible for the information under "THE COUNTERPARTY",
- (iv) the Administrator only is responsible for the information under "CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT - Corporate Administration - Description of the Administrator", and
- (v) the Transaction Account Bank is responsible only for the information under "CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT - Transaction Account - Description of the Transaction Account Bank".

To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Issuer is responsible is in accordance with the facts and does not omit anything likely to affect its import.

To the best of the knowledge of the Trustee (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Trustee is responsible is in accordance with the facts and does not omit anything likely to affect its import.

To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Bank is responsible is in accordance with the facts and does not omit anything likely to affect its import.

To the best of the knowledge of the Counterparty (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Counterparty is responsible is in accordance with the facts and does not omit anything likely to affect its import.

To the best of the knowledge of the Administrator (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Administrator is responsible is in accordance with the facts and does not omit anything likely to affect its import.

To the best of the knowledge of the Transaction Account Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus for which the Transaction Account Bank is responsible is in accordance with the facts and does not omit anything likely to affect its import.

Subject to the following paragraphs, each of the Issuer, the Trustee, the Bank, the Counterparty, the Administrator and the Transaction Account Bank accepts responsibility accordingly.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, in connection with the issue and sale of the Notes, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank, the Counterparty, the Trustee or the Lead Manager.

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer or the Bank or of the Counterparty which is material in the context of the issue and offering of the Notes or with respect to the Reference Pool since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently amended or supplemented, or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer or the Lead Manager other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and the Lead Manager has represented that all offers and sales by it have been made on such terms.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy any of the securities offered hereby in any circumstances in which such offer or solicitation is unlawful. The distribution of this Prospectus (or of any part thereof) and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see "SUBSCRIPTION AND SALE".

In connection with the issue of the Notes, the Lead Manager (or persons acting on behalf of the Lead Manager) may over-allot Notes (provided that the aggregate principal amount of each Class of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant Class of Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Lead Manager (or persons acting on behalf of the

Lead Manager) will undertake a stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of allotment of the Notes.

TABLE OF CONTENTS

SUMMARY	6
RISK FACTORS	25
THE NOTES	43
THE TRUST AGREEMENT	69
DESCRIPTION OF THE REFERENCE POOL.....	103
REFERENCE POOL SERVICING	131
THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL.....	141
NOTEHOLDER SECURITY AGREEMENT	152
THE ISSUER	156
CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT	159
THE BANK.....	162
THE AFFILIATES.....	167
THE TRUSTEE	169
THE COUNTERPARTY	170
RATING	171
TAXATION	172
SUBSCRIPTION AND SALE	175
USE OF PROCEEDS	179
GENERAL INFORMATION	180
TRANSACTION DEFINITIONS SCHEDULE	183

SUMMARY

INTRODUCTION

The following summary (the "**Summary**") should be read as an introduction to the Prospectus.

Any decision to invest in the Notes should be based on consideration by the investor of the Prospectus as a whole.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who have tabled the Summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

The Summary does not purport to be complete and is taken from and qualified in its entirety by the remainder of this Prospectus.

DEFINED TERMS

For the definitions of capitalised words and phrases appearing in this Summary and the rest of this Prospectus see the Section entitled "Transaction Definitions Schedule".

TRANSACTION STRUCTURE

The following is an overview of the Transaction as illustrated by the structure diagram below. The letters in this paragraph headed "Transaction Structure" refer to the letters in the "Transaction Structure Diagram" (as set out below).

With regard to this Transaction:

- A. The Bank as protection buyer has entered into a credit default swap (the "**Bank Swap**") with the Counterparty as protection seller. Pursuant to the Bank Swap the Counterparty pays to the Bank amounts equal to all Realised Losses incurred in the Reference Pool in excess of the Threshold Amount pursuant to the Loss Allocation.

See "THE NOTES" – "Loss Allocation".

The Bank will not stand behind and will not support the Issuer or make good any losses in the Reference Pool, unless stated otherwise herein.

- B. The Counterparty will issue certificates of indebtedness credit linked to the performance of the Reference Pool and the Reference Obligations (the "**Certificates**") signed by the Counterparty as obligor and the Issuer as creditor under which the Counterparty undertakes to pay to the creditor or its assignee the principal amount and interest equal to the aggregate principal amounts and interest payable under the Notes subject to the conditions of the Certificates; the Issuer will use the proceeds from the issue of the Notes to purchase the Certificates from the Counterparty on the Issue Date.
- C. The Issuer issues the Notes which are credit linked to the performance of the Reference Pool and the Reference Obligations.

The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of the Reference Pool and the Reference

Obligations as described herein. There is no guarantee that the Noteholders will receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal under the Notes could be reduced to €1 per Note as a result of losses incurred in respect of the Reference Obligations. In addition, the reversal of Loss Allocations due to (i) Late Recoveries and (ii) any Unjustified Loss Allocation is dependent on the Bank making corresponding payments under the Bank Swap.

See "THE NOTES" – "Redemption – Amortisation of the Notes", "Loss Allocation", "Late Recoveries", "Unjustified Loss Allocation".

- D. On each date on which any Realised Loss is allocated to the Notes in accordance with the Terms and Conditions the principal amount of the relevant Certificates (e.g., the A Certificates) shall be reduced by an amount equal to the amount of Realised Losses allocated to the corresponding Class of Notes (e.g., the Class A Notes) on such date pursuant to the Terms and Conditions.
- E. The Counterparty as protection buyer has entered into a credit default swap (the "**Senior Swap**") with a counterparty (the "**Senior Swap Counterparty**") as protection seller. Pursuant to the Senior Swap, the Senior Swap Counterparty pays to the Counterparty an amount in € equal to the product of the Swap Factor and the total amount of Realised Losses (as multiplied by the A+ Reduction Factor) allocated to the Class A+ Notes in accordance with the Terms and Conditions.
- F. On the Issue Date, the Issuer will grant a pledge (*Pfandrecht*) to the Trustee over all its present and future claims and rights under the Certificates as well as all its present and future claims and rights under the Administration Agreement, the Certificate Purchase Agreement, the Agency Agreement, the Transaction Account Agreement, the Transaction Account and the Subscription Agreement and all its present and future claims and rights against the Trustee arising under the Trust Agreement to secure the Trustee Claim under the Trust Agreement. The Trustee Claim entitles the Trustee, *inter alia*, to demand that all obligations of the Issuer under the Notes be fulfilled. See "THE TRUST AGREEMENT", "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".
- G. In addition to the Trustee Collateral, the Issuer will on the Issue Date grant a second, junior pledge (*nachrangiges Pfandrecht*) for each Note on all its present and future rights and claims under the corresponding Certificate to the Lead Manager as initial holder of the Notes to secure the Issuer's obligations under such Note. The second pledge will be accessory to such Note (§ 1250 of the German Civil Code (*Bürgerliches Gesetzbuch*)) and will, therefore, upon the transfer of such Note pass on to the transferee by operation of law. The second pledges securing the Notes of a particular Class will rank *pari passu* among each other.

The Trustee's pledge on any Certificate will rank senior to all such second pledges in respect of such Certificate. The Second Pledges in respect of any Certificate may only be exercised if (a) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists, or (b) the Trustee has waived the First Pledge or, (c) no Trustee is appointed in accordance with the Terms and Conditions. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "THE NOTEHOLDER SECURITY AGREEMENT".

Notwithstanding the Trustee Collateral and the Noteholder Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be

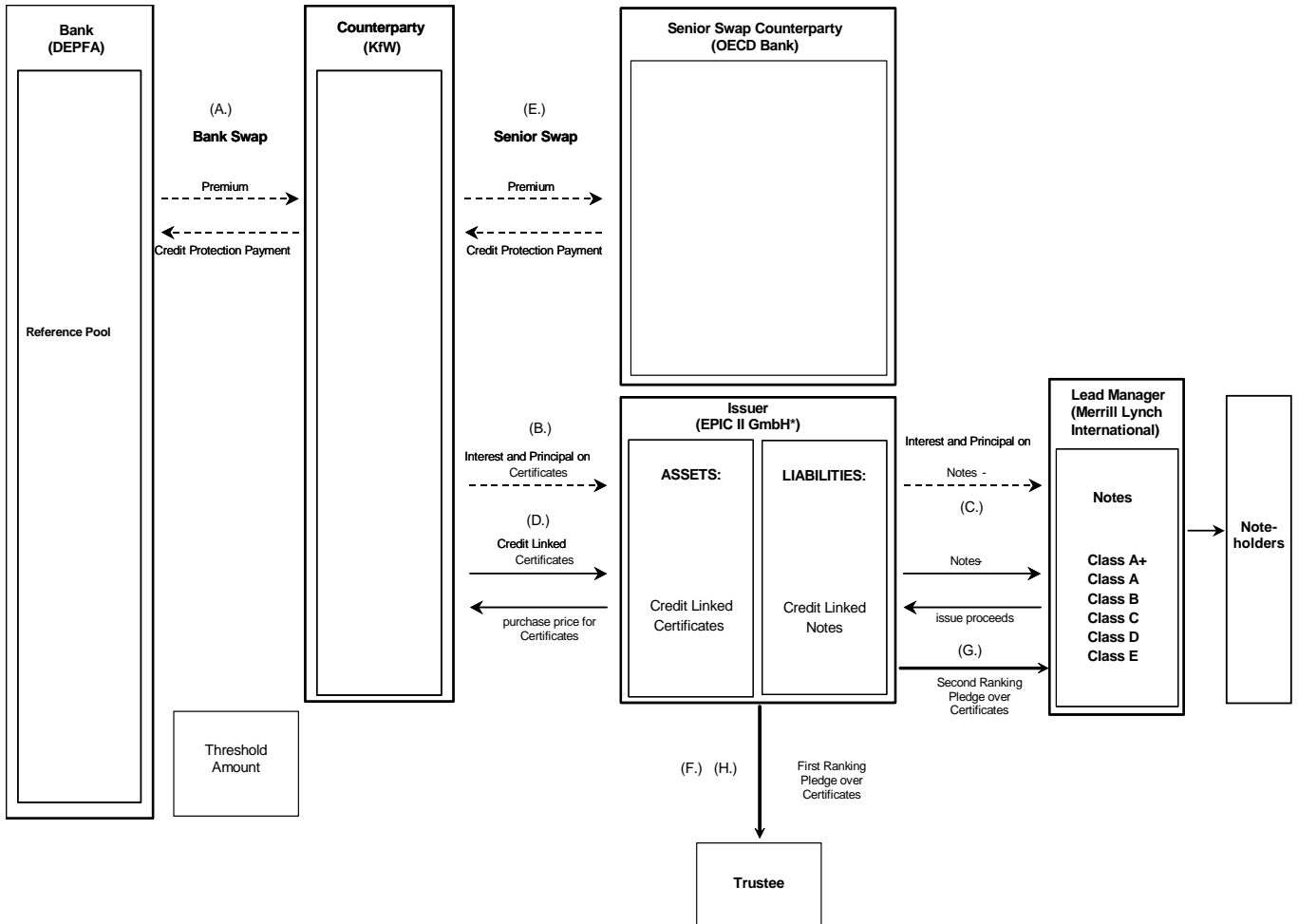
reduced as a result of Realised Losses incurred with respect to the Reference Pool and the Reference Obligations and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, will have the benefit of the Trustee Collateral and/or the Noteholder Collateral.

- H.** Pursuant to the Trust Agreement the Trustee will, *inter alia*, verify the determinations and allocations of Realised Losses incurred in the Reference Pool in accordance with procedures set out in the Trust Agreement. See "THE NOTES - Loss Allocation" and "THE TRUST AGREEMENT".

TRANSACTION STRUCTURE DIAGRAM

(as of the Issue Date)

This transaction structure diagram is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus. In the event of any inconsistency between this transaction structure diagram and the information provided elsewhere in this Prospectus, such information shall prevail.



* EPIC II GmbH means Essential Public Infrastructure Capital II GmbH

THE PARTIES

The Issuer	Essential Public Infrastructure Capital II GmbH, Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany.
The Bank	DEPFA BANK plc, 1 Commons Street, Dublin 1, Ireland. See "THE BANK".
The Counterparty	KfW, Palmengartenstraße 5-9, 60325 Frankfurt am Main, Federal Republic of Germany. See "COUNTERPARTY".
The Arranger and Lead Manager	Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom.
The Servicer	means the relevant Bank Entity in its capacity as servicer in relation to a Reference Obligation. See "REFERENCE POOL SERVICING".
The Trustee	Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstraße 6, 40476 Düsseldorf, Federal Republic of Germany or any successor appointed as Trustee in accordance with the Trust Agreement. See "THE TRUST AGREEMENT", "THE TRUSTEE".
Administrator of the Issuer	SFM Structured Finance Management (Deutschland) GmbH, a company with limited liability incorporated under the laws of Germany whose registered office is at Eysseneckstraße 4, 60322 Frankfurt am Main, Germany, or any successor appointed as Administrator in accordance with the Administration Agreement. See "CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT".
Transaction Account Bank	Landesbank Hessen-Thüringen Girozentrale, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main or any replacement Transaction Account Bank pursuant to the Transaction Account Agreement. See "CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT".
Principal Paying Agent	HSBC Bank plc, 8 Canada Square, London, E14 5HQ, as the principal paying agent and interest determination bank, or its successor in such function, as the principal paying agent and interest determination bank, or its successor in such function.
Irish Listing Agent	A&L Listing Limited, International Financial Services Centre, North Wall Quay, Dublin 1, Ireland, or any successor appointed by the Issuer.

Irish Paying Agent	HSBC Institutional Trust Services (Ireland) Limited, HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.
Common Depositary	HSBC Bank plc, 8 Canada Square, London, E14 5HQ, as the common depositary, or any successor as common depositary for Euroclear and Clearstream, Luxembourg.

Apart from what is disclosed in this Prospectus or in connection with the issue of the Notes and without prejudice to any trading activities of the entities who are mentioned in the list above, there are no links in respect of a direct or indirect ownership or control between those parties.

THE NOTES AND THE REFERENCE POOL

The Notes

Each Class of Notes will be initially represented by a Temporary Global Note. The Temporary Global Note for each Class of Notes will be exchangeable, as described herein (see "THE NOTES - Notes") for a Permanent Global Note in bearer form representing such Class of Notes without interest coupons attached. The Global Notes will be deposited with the Common Depositary. The Temporary Global Notes will be deposited with the Common Depositary on or before 18 July 2006.

The Notes may be transferred in book-entry form only. The Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be issued in denominations of €50,000. The Global Notes will not be exchangeable for definitive securities.

This document constitutes a prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") on the prospectus to be published when securities are offered to the public or admitted to trading.

Application has been made to the IFSRA, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area.

THE NOTES REPRESENT OBLIGATIONS OF THE

ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE LEAD MANAGER, THE TRUSTEE, THE AGENTS, ANY BANK ENTITY, THE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATE OF THE ISSUER OR ANY OTHER THIRD PERSON OR ENTITY. NONE OF THE NOTES, THE REFERENCE POOL OR THE REFERENCE OBLIGATIONS WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY OF THE LEAD MANAGER, THE TRUSTEE, THE AGENTS, ANY BANK ENTITY, THE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

<u>Class</u>	<u>Initial Class Principal Amount</u> (€)	<u>Interest Rate</u>	<u>ISIN</u>
Class A+	250,000	EURIBOR* + 0.38 %	XS02578 97255
Class A	45,000,000	EURIBOR* + 0.38 %	XS02578 98220
Class B	9,000,000	EURIBOR* + 0.60 %	XS02578 98907
Class C	9,000,000	EURIBOR* + 0.90 %	XS02578 99624
Class D	9,000,000	EURIBOR* + 1.90 %	XS02579 00224
Class E	6,750,000	EURIBOR* + 4.00 %	XS02579 00570

(*) As determined on each EURIBOR Determination Date. See "THE NOTES - Payments of Interest - Interest Rates".

Payments of interest and principal on the Notes to the Noteholders will be made in € on each Payment Date.

Unless earlier redeemed as described herein, the Notes will be redeemed on the Scheduled Maturity Date. However, the redemption of the Notes may be deferred in accordance with Section 12 (*Deferred Redemption*) of the Terms and Conditions. See "THE NOTES - Redemption-Scheduled Maturity Date", "Termination for

Default" and "Early Redemption by the Issuer".

Payments with respect to the Notes (i) are to be made by the Issuer in € and (ii) shall only be made after deduction and withholding of current or future taxes under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments on the Notes and/or payments under the Certificates, under which the Issuer will receive the amounts necessary for the payments on the Notes as described herein, become subject to deduction or withholding of taxes. See "THE NOTES - Taxes" and "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

The Notes are credit linked to the performance of the Reference Pool and the Reference Obligations.

See "THE NOTES".

See "DESCRIPTION OF THE REFERENCE POOL".

Status of the Notes

The Notes constitute direct and unsubordinated obligations of the Issuer, ranking on a *pari passu* basis amongst themselves and at least *pari passu* with all other current and future unsubordinated obligations of the Issuer, subject to Loss Allocation, allocation of Late Recoveries, Unjustified Loss Allocation, the Trustee Collateral and the Noteholder Collateral and the redemption of the Notes in accordance with the Terms and Conditions, if applicable. The Notes constitute limited recourse obligations of the Issuer.

Cut-off Date

30 April 2006

Issue Date

18 July 2006.

Payment Dates

Payment of interest and principal on the Notes will be made to the Noteholders quarterly in arrears, on each 26th day of January, April, July and October of each year. The first Payment Date will be 26 October 2006. Unless the Notes are redeemed earlier in full, the last Payment Date will be the Legal Maturity Date. For the purposes of Loss Allocation the Termination Date shall qualify as a "Payment Date".

If a Payment Date would fall on a day that is not a Business Day, such Payment Date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such Payment Date shall be brought forward to the

immediately preceding Business Day.

Interest Accrual Periods

means for all Classes:

- (a) in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and
- (b) in respect of any subsequent Payment Date, the period commencing on (and including) the immediately preceding Payment Date and ending on (but excluding) such Payment Date.

Payment of Interest

On each Payment Date (subject to Section 10.2 (*Termination for Default – Method and Amount*) and Section 12 (*Deferred Redemption*) of the Terms and Conditions – See "THE NOTES – Termination for Default – Deferred Redemption"), the interest accrued during the applicable Interest Accrual Period at the per annum rate indicated herein for each Class of Notes will be payable on the Note Principal Amount outstanding as of the immediately preceding Payment Date (after Loss Allocation, allocation of Late Recoveries, Unjustified Loss Allocation and payment of principal, if any, on such date) or the Issue Date (in the case of the first Payment Date) as described herein.

The amount of interest payable on the Notes may be reduced, due to potential principal reductions, as a result of Realised Losses incurred with respect to the Reference Obligations.

See "THE NOTES" – "Payments of Interest" and "THE NOTES" – "Loss Allocation", "Late Recoveries", "Unjustified Loss Allocation".

Payment of Principal

The redemption amount allocated to each Class of Notes will be, in each case, calculated after the reduction of the Class Principal Amount(s) by allocation of Realised Losses, if any, and the increase of the Class Principal Amount(s) as a result of (a) the allocation of Late Recoveries and/or (b) the Unjustified Loss Allocation, if any, in each case on the relevant Payment Date.

See "THE NOTES" – "Redemption – Amortisation of the Notes", "Loss Allocation", "Late Recoveries", "Unjustified Loss Allocation".

The Notes shall be redeemed on a Payment Date as follows:

- (a) the Class A+ Notes shall be redeemed in an amount equal to:
 - (i) if the Payment Date occurs during the

Replenishment Period, the Replenishment Pool Reduction, or

- (ii) if the Payment Date occurs after the Replenishment Period, the Pool Reduction (including, on the first Payment Date after the end of the Replenishment Period, any Replenishment Capacity which has not already been allocated to the Notes during the Replenishment Period)

multiplied in each case by the A+ Reduction Factor; and

- (b) after the Class A+ Notes have been redeemed in full, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes in this order sequentially, shall be redeemed in an amount equal to the Replenishment Pool Reduction or the Pool Reduction (as applicable);

provided that if the Replenishment Pool Reduction or the Pool Reduction (as applicable), multiplied in the case of (a) above by the A+ Reduction Factor, exceeds the Class Principal Amount of the relevant Class of Notes, (aa) such Class shall be redeemed only in the amount of such Class Principal Amount and (bb) the amount of such excess, multiplied by the A+ Increase Factor if such excess results from the application of (a) above, shall constitute the Replenishment Pool Reduction or the Pool Reduction (as applicable) for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in (a) and (b) above.

See "THE NOTES" – "Redemption – Amortisation of the Notes".

Redemption – Scheduled Maturity Date

Subject to Section 12 (*Deferred Redemption*), the Notes shall be redeemed on the Scheduled Maturity Date at their respective Note Principal Amount as at the Scheduled Maturity Date, unless redeemed earlier in accordance with Section 9 (*Redemption – Amortisation of the Notes*), Section 10 (*Termination for Default*), or Section 11 (*Early Redemption by the Issuer*).

See "THE NOTES" – "Redemption – Scheduled Maturity Date".

Termination for Default

The Issuer shall redeem the Notes upon the occurrence of an Automatic Termination Event.

In addition, any Noteholder may declare due the Notes held by it by delivery of a written notice to the Issuer with a copy to the Trustee if a Default Event with respect to

the relevant Note has occurred and has not been remedied prior to the delivery of such notice.

Upon the occurrence of an Automatic Termination Event or if any Noteholder exercises its right as outlined above the Issuer shall, subject to Section 12.2 (*Deferred Redemption – Deferred Redemption upon occurrence of an Automatic Termination Event or a Default Event*) redeem all of the Notes (but not some only) in accordance with the Terms and Conditions.

See "THE NOTES" – "Termination for Default".

Early Redemption by the Issuer

On the Payment Date on which a Bank Swap Termination or a Certificate Termination becomes effective, the Issuer shall, subject to Section 12 (*Deferred Redemption*), redeem all the Notes (but not some only), in each case, at their respective Note Principal Amounts as at such day.

A Bank Swap Termination becomes effective, in the case of (i) to (vi) below, on the Payment Date as of which the Bank Swap is terminated by the Bank:

- (i) upon the occurrence of a Counterparty Regulatory Event;
- (ii) upon the occurrence of an Illegality Event;
- (iii) upon the occurrence of a Tax Event and / or a Counterparty Tax Event;
- (iv) upon the occurrence of a Bank Regulatory Event;
- (v) if the aggregate Outstanding Nominal Amount of the Reference Obligations has been reduced to less than 10% of the Initial Aggregate Principal Balance;
- (vi) on the Payment Date falling in July 2011.

A Certificate Termination becomes effective on the Payment Date as at which the Counterparty exercises its prepayment option under the Certificates:

- (a) upon the occurrence of a Counterparty Regulatory Event; or
- (b) upon the occurrence of a Counterparty Tax Event.

See "THE NOTES" – "Early Redemption by the Issuer".

Collection Period

means:

- (a) with respect to the first Payment Date the period from the Cut-off Date until the last calendar day of the calendar month immediately preceding the month in which the first Payment Date occurs (both days inclusive), and
- (b) with respect to any subsequent Payment Date the period from the calendar day immediately

following the last day of the previous Collection Period until the last calendar day of the calendar month immediately preceding the month in which such Payment Date occurs (both days inclusive).

In case of a termination pursuant to Section 10.1 (*Termination for Default; Automatic Termination – Default Events*) of the Terms and Conditions the last Collection Period will end on the Termination Date.

Reference Pool

The Reference Pool will consist of Reference Obligations, including Partial Obligations, which may be held by or for the benefit of a Bank Entity for the payment of principal arising from the financing of public private partnership based infrastructure projects. These Reference Obligations may have been originated by the relevant Bank Entity or acquired by the relevant Bank Entity from a third party, or may be Reference Obligations in which the relevant Bank Entity has acquired an economic interest by way of Subparticipation, in each case pursuant to the Credit and Collection Policies of the relevant Bank Entity applicable at the relevant time which are included in the Reference Pool as of the Cut-off Date or from time to time thereafter as of any Replenishment Date in accordance with Provision 2.1 (*Reference Obligations – Identification*) and not removed from the Reference Pool pursuant to Provision 9 (*Removals*).

The Reference Obligations are denominated in Sterling, US\$, Euros, Japanese Yen or the lawful currency of the Relevant Country. On any Re-set Date, the Bank may in accordance with Provision 2.3 (*Reference Obligations – Non-€ Reference Obligations; Re-sets*) below re-set the Outstanding € Equivalent Amount of any Non-€ Reference Obligation by a new Outstanding € Equivalent Amount determined by application of a current Bank Exchange Rate, provided that the Re-set Conditions are met.

The aggregate Outstanding Nominal Amount of the Reference Obligations included in the Initial Reference Pool was €718,054,748. For the avoidance of doubt under certain circumstances the size of the Reference Pool may be increased to €900,000,000.

A Reference Obligation may (subject to Provision 4.22 (*Eligibility Criteria – Reference Collateral*)) be secured by Reference Collateral (or a portion thereof) held or acquired from time to time by or on behalf of the relevant Lender, or, in the case of a Subparticipation, the Participant, or by a third party for the rateable benefit of, *inter alia*, the relevant Lender, or, in the case of a

Subparticipation, the Participant.

Each Bank Entity may at its own cost and at any time transfer (including by way of subparticipation or by similar arrangements) any Reference Obligation.

Upon certain preconditions being met (including that a transfer can only be made to another Bank Entity), such transferred part of the Reference Pool shall remain eligible for Loss Allocation.

Further, the Reference Pool may be subject to removals of Reference Obligations, in accordance with Provision 9 (*Removals*) of the Reference Pool Provisions.

See "DESCRIPTION OF THE REFERENCE POOL".

Replenishment of the Reference Pool

The Bank may, without the consent of the Trustee, add Replenishment Obligations to the Reference Pool on any Payment Date during the Replenishment Period provided that the Replenishment Criteria are met as of the relevant Replenishment Date.

See "DESCRIPTION OF THE REFERENCE POOL — Replenishment".

Non-€ Reference Obligations and Re-sets

As of each Re-set Date, the Bank may, subject to certain conditions described herein, re-set the Outstanding € Equivalent Amounts of the Non-€ Reference Obligations denominated in the same Re-set Currency (excluding Non-€ Reference Obligations with respect to which a Credit Event Notice has been given) with new Outstanding € Equivalent Amounts, provided that in certain circumstances a Re-set may be made on the basis of single or selected Non-€ Reference Obligations.

See "DESCRIPTION OF THE REFERENCE POOL".

Servicing of the Reference Pool

The relevant Bank Entity, as Servicer will Service the loans in accordance with the Procedures Manual, the Credit and Collection Policies and the Servicing Standards taking into account the interests of the Transaction Creditors and of the Counterparty by seeking to minimise any losses. The Servicing Standards are attached as Appendix C to the Terms and Conditions and constitute an integral part of the Terms and Conditions.

See "REFERENCE POOL SERVICING – Servicing Standards".

Subject to certain conditions being met, any Bank Entity may be substituted in its function as Servicer of any or all of the Reference Obligations by any other Bank Entity.

"**Servicing**" and "**to Service**" means in this context:

- (a) in respect of a Reference Obligation that is neither a Syndicated Reference Obligation nor a Subparticipation the monitoring, administration, collection and enforcement of such Reference Obligation, including if appropriate in the judgement of the relevant Servicer the enforcement of the related Reference Collateral;
- (b) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the Agent Bank or the Bond Trustee is not the relevant Bank Entity, the timely monitoring and administration of such Reference Obligation, including responding to and communicating with the Agent Bank, the Bond Trustee, the Security Agent, if any, and the Security Trustee, if any, and casting the Servicer's vote in any decision required under the Related Financing Documents;
- (c) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the relevant Bank Entity is the Agent Bank, the monitoring, administration, collection and enforcement of such Reference Obligation in accordance with the Related Financing Documents, including if required:
 - (i) responding to and communicating with the Syndicate of Lenders, the Security Agent, if any and the Security Trustee, if any, and
 - (ii) enforcement of the Reference Collateral if such is in the scope of the Agent Bank's authority all in accordance with the powers of the Agent Bank and where appropriate, the instructions of the Syndicate of Lenders; and
- (d) in respect of a Reference Obligation that is a Subparticipation, the timely monitoring and administration of such Reference Obligation, including responding to the Participant where required and exercising such rights of decision making as are granted by the underlying subparticipation agreement.

Servicing Standards

The Servicing Standards are set out in this Prospectus See "REFERENCE POOL SERVICING - Servicing Standards".

Loss Allocation

Realised Losses shall be allocated on each Payment Date and, if applicable, the Deferred Payment Date, immediately following the satisfaction of Section 13.2 (*Loss Allocation – Conditions to Loss Allocation*), as

follows:

first, to reduce the Outstanding Threshold Amount,

second, after the Outstanding Threshold Amount has been reduced to zero, to reduce equally the Note Principal Amounts of the Class E Notes,

third, after the Note Principal Amount of each Class E Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class D Notes,

fourth, after the Note Principal Amount of each Class D Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class C Notes,

fifth, after the Note Principal Amount of each Class C Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class B Notes,

sixth, after the Note Principal Amount of each Class B Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class A Notes,

seventh, after the Note Principal Amount of each Class A Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class A+ Notes to €1, provided that only the product of (i) the Realised Losses (not allocated to the subordinated Classes of Notes) and (ii) the A+ Reduction Factor shall be allocated to reduce the Class A+ Notes on such Payment Date or Deferred Payment Date (as applicable).

Realised Losses will only be allocated if the conditions to Loss Allocation set out in Section 13.2 (*Loss Allocation – Conditions to Loss Allocation*) of the Terms and Conditions are complied with.

See "THE NOTES" – "Loss Allocation"; "DESCRIPTION OF THE REFERENCE POOL" and "THE TRUST AGREEMENT".

The allocation of Realised Losses to the Notes as described herein will not be affected by the Senior Swap and the respective rights and obligations of the Counterparty and the Senior Swap Counterparty thereunder.

Certificates

On the Issue Date, the Issuer will purchase the Certificates from the Counterparty pursuant to the Certificate Purchase Agreement.

Each Certificate (i) ranks *pari passu* with all other unsecured and unsubordinated obligations of the Counterparty, subject to reductions of principal of and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes and (ii) has terms and conditions regarding

payments of principal and interest matching with the corresponding Class of Notes as set out herein.

See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

Trust Agreement, Trustee Collateral

Pursuant to the Trust Agreement, the Issuer will grant a pledge (*Pfandrecht*) on the Issue Date over

- (a) all its present and future claims and rights against the Counterparty under the Certificates;
- (b) all its present and future claims and rights arising from the Administration Agreement, the Certificate Purchase Agreement, the Agency Agreement, the Transaction Account Agreement, the Transaction Account and the Subscription Agreement; and
- (c) all its present and future claims and rights against the Trustee arising under the Trust Agreement;

to the Trustee to secure the Trustee Claim under the Trust Agreement. The Trustee Claim entitles the Trustee, *inter alia*, to demand that all obligations of the Issuer under the Notes be fulfilled.

See "THE TRUST AGREEMENT".

Noteholder Collateral

In addition to the Trustee Collateral, the Issuer will on the Issue Date grant a Second Pledge (*nachrangiges Pfandrecht*) for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Lead Manager as initial holder of the Notes to secure the Issuer's obligations under such Note pursuant to the Noteholder Security Agreement.

The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other. The pledge on any Certificate in favour of the Trustee under the Trust Agreement (the "**First Pledge**") shall rank senior to all Second Pledges in respect of such Certificate.

The Second Pledges in respect of any Certificate may only be exercised if:

- (a) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists, or
- (b) the Trustee has waived the First Pledge, or
- (c) no Trustee is appointed in accordance with the Terms and Conditions.

The Second Pledges will be accessory (*akzessorisch*) to the Notes and, therefore, upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law.

See "NOTEHOLDER SECURITY AGREEMENT".

Form and Denomination	<p>Each Class of Notes will be initially represented by a Temporary Global Note which will be exchangeable for a Permanent Global Note representing the relevant Class of Notes as described herein.</p> <p>The Notes may be transferred in book-entry form only. The Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be issued in denominations of €50,000.</p> <p>The Global Notes representing the Notes will not be exchangeable for definitive securities. The Global Notes will be held in custody by HSBC Bank plc as Common Depository for Euroclear and Clearstream, Luxembourg. See "THE NOTES – Notes".</p>
Issuer's Source of Income	<p>The Issuer will receive the funds necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.</p> <p>The Issuer will receive the funds necessary to pay all ongoing costs and expenses from the Bank pursuant to the Trust Agreement.</p> <p>See "THE TRUST AGREEMENT".</p>
Use of Proceeds	<p>The Issuer will use the proceeds from the issue of the Notes for the purchase of the Certificates. The estimated expenses associated with the admission of the Notes to trading on the Irish Stock Exchange amount to approximately €5,783.</p>
Selling Restrictions	<p>Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U.S. persons.</p> <p>For a description of these and other restrictions on sale and transfer see "SUBSCRIPTION AND SALE".</p>
Listing	<p>Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.</p>
Settlement	<p>It is expected that delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of Euroclear or Clearstream, Luxembourg against payment therefor in € in immediately available funds.</p>
Governing Law	<p>The Notes will be governed by the laws of the Federal Republic of Germany.</p>
Ratings	<p>Each Class of Notes is expected to be rated by Fitch</p>

and S&P. It is a condition of the issue of the Notes that each Class receives the rating indicated below:

<u>Class</u>	<u>Fitch</u>	<u>S&P</u>
Class A+	AAA	AAA
Class A	AAA	AAA
Class B	AA	AA
Class C	A	A
Class D	BBB	BBB
Class E	BB	BB

The rating of "AAA" is the highest rating that S&P and Fitch assign to long term debt.

The rating of each Class of Notes by S&P and Fitch addresses the likelihood that the holders of such Class will receive all payments to which they are entitled, as described herein. The rating by S&P and Fitch of the relevant Class of Notes addresses also the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating of all Rating Agencies takes into consideration the characteristics of the Reference Pool and the Reference Obligations and the current structural, legal, tax and Issuer-related aspects associated with the Notes. However, the ratings assigned to the Notes do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments. The Notes will have the benefit of the Trustee Collateral, including the Certificates, securing the Trustee Claim. A change in the long term unsecured debt rating of the Counterparty as the supporting rating for the Certificates may affect the rating of one or more Classes of the Notes.

See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "COUNTERPARTY".

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time. If the ratings initially assigned to any Class of Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with

respect to such Class of Notes.

The Issuer has not requested a rating of the Notes by any rating agency other than the Rating Agencies; there can be no assurance, however, as to whether any other rating agency would rate the Notes or, if it did, what rating would be assigned by such other rating agency. The rating assigned to the Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

See "RATING".

RISK FACTORS

The following is a summary of certain factors which prospective investors should consider before deciding to purchase the Notes. The following statements are not exhaustive. Prospective investors should consider all of the information provided in this Prospectus and consult with their own professional advisers if they consider it necessary.

Credit linked Notes

The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of the Reference Pool and the Reference Obligations as described herein. There is no guarantee that the Noteholders will receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal under the Notes could be reduced to €1 per Note as a result of losses incurred in respect of the Reference Obligations. **In addition, the reversal of Loss Allocations due to (i) Late Recoveries and (ii) any Unjustified Loss Allocation is dependent on the Bank making corresponding payments under the Bank Swap.**

Risks relating to the Issuer

The Issuer is established as a company with limited liability (*Gesellschaft mit beschränkter Haftung, GmbH*) under the laws of the Federal Republic of Germany. Neither the Bank nor an Affiliate has an ownership interest in the Issuer.

The Issuer has been established as a special purpose vehicle for the purpose of issuing asset backed securities such as the Notes.

Pursuant to Section 2 of the Issuer's articles of association (*Gesellschaftsvertrag*), the Issuer's purpose is to act as a special purpose vehicle for asset backed securities transactions of a credit institution. In relation thereto the Issuer will, in particular:

- (a) acquire credit linked certificates of indebtedness (*Schuldscheine*) from KfW,
- (b) finance such acquisition via issuing notes, and
- (c) execute agreements in connection with and enter into ancillary transactions in relation to (a) and (b).

Should the Issuer or the persons acting on its behalf violate the Issuer's articles of association, the Notes may be adversely affected.

The Issuer's articles of association and the Trust Agreement contain certain restrictions in respect of the Issuer's business and its corporate governance. However, even if the Issuer does not adhere to such restrictions and, as an example, enters into transactions the Issuer should refrain from, such legal acts or transactions would generally generate legal, valid and binding obligations of the Issuer and may adversely affect the Issuer's obligations under the Notes.

For so long as the Notes are outstanding, the Issuer has, *inter alia*, undertaken not to hold subsidiaries, have any employees, acquire the obligations or securities of its shareholders, commingle its assets with those of any other entity, and issue or repurchase shares or reduce its share capital or declare or pay dividends or any other distributions of any kind whatsoever.

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon certain factors outlined below.

In the event of an insolvency of a person having obligations in connection with the issuance of the Notes, various insolvency and related laws applicable to such person may (directly or indirectly) limit the amount the Issuer or the Trustee may recover.

Liability and Limited Recourse under the Notes

The Notes represent obligations of the Issuer only, and do not represent obligations of any of the Lead Manager, the Trustee, the Agents, the Administrator, any Bank Entity, the Counterparty or any of their respective affiliates or any affiliate of the Issuer or any other third person or entity. None of the Lead Manager, the Trustee, any Bank Entity, the Counterparty, the Agents, any of their respective affiliates, any affiliate of the Issuer or any other third person or entity, assumes any liability to the Noteholders if the Issuer fails to make a payment due under the Notes.

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon it receiving in full the amounts payable to it under the Certificates and under the other Transaction Documents or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Certificates and its other assets pursuant to the Trust Agreement or, as the case may be, the amount of proceeds resulting from enforcement of the security granted by the Issuer to the Lead Manager as the initial holder of the Notes pursuant to the Noteholder Security Agreement. If the Trustee enforces the claims under the Notes, such enforcement will be limited to those assets of the Issuer over which the Trustee was granted security. To the extent that such assets, or the proceeds of the realisation thereof, prove ultimately insufficient to satisfy the claims of all Noteholders in full, then any shortfall arising shall be extinguished and neither any Noteholder nor the Trustee shall have any further claims against the Issuer. Such assets and proceeds shall be deemed to be "ultimately insufficient" at such time when no further assets are available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and neither assets nor proceeds will be so available thereafter.

In particular, the Trustee, the Bank, the Counterparty, the Lead Manager, the Principal Paying Agent, the Administrator and the Transaction Account Bank shall not petition or take any other step or action for the liquidation or dissolution of the Issuer nor for the appointment of an insolvency administrator, liquidator or other person in respect of the Issuer or its assets until the expiration of a period of two years and one day following payment of all amounts payable under all outstanding Notes.

No Interest in the Reference Obligations

Neither the Noteholders nor the Issuer will have any right to or interest in any Reference Obligation even if a Realised Loss in respect of such Reference Obligation has been allocated to the Notes in accordance with the Loss Allocation. See "THE NOTES - Loss Allocation".

Leverage

The initial aggregate Class Principal Amount of the Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (amounting to €79,000,000) together with the Threshold Amount (amounting to €15,750,000) as at the Issue Date will be €94,750,000. Upon the determination of any Realised Loss, first the Threshold Amount will be reduced and after it has been reduced to zero, the Realised Losses will be allocated to the Note Principal Amount of each Class E Note until it is reduced to €1, then to the Note Principal Amount of each Class D Note until it is reduced to €1, then to the Note Principal Amount of each Class C Note until it is reduced to €1, then to the Note Principal Amount of each Class B Note until it is reduced to €1, then to the Note Principal Amount of each Class A Note until it is reduced to €1. Realised Losses will be allocated to reduce the Class Principal Amount of the Class A+ Notes and the notional amount of the Senior Swap only after each Class A Note has been reduced to €1.

Accordingly, the Threshold Amount, then the Class E Notes, the Class D Notes, the Class C Notes, the Class B Notes and the Class A Notes provide a relevant first loss protection to the holders of the Class A+ Notes and the Senior Swap Counterparty with respect to the Reference Pool. Since the Aggregate Principal Balance of the Reference Pool is expected before the Legal Maturity Date to exceed the aggregate Class Principal Amount of the Notes, the Notes, other than the Class A+ Notes, provide protection for the Reference Pool on a leveraged basis and, as a result of such leverage, the loss risk in respect of the Notes is a multiple of the loss risk in respect of the Reference Pool. This leverage increases the risk of loss to Noteholders.

Trust Agreement, Servicing Standards - Interests of the Noteholders, the Senior Swap Counterparty and the Counterparty

Pursuant to the Trust Agreement the Trustee will carry out its duties thereunder as a trustee for the benefit of the Noteholders and the Senior Swap Counterparty. The Trustee will also give due regard to and protect the interests of the Counterparty as the protection seller under the Bank Swap to the extent that such interests are compatible with the interests of the Noteholders and the Senior Swap Counterparty. In the case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders, priority will be given to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes and then, among the other Noteholders, to the interests of the Noteholders of the Class or Classes of Notes which rank most senior for the purposes of the Loss Allocation. In the case of a conflict of interest between the interests of the Counterparty on the one hand and the Noteholders and/or the Senior Swap Counterparty on the other hand, priority will be given to the interests of the Noteholders and/or the Senior Swap Counterparty.

See "THE TRUST AGREEMENT" and "REFERENCE POOL SERVICING".

Certificates

The payment of principal of and, due to potential principal reductions, interest on the Certificates is conditional upon the performance of the Notes which in turn is conditional upon the performance of the Reference Pool and the Reference Obligations as set out herein.

The amount of principal of and, due to potential principal reductions, interest on the Certificates may be reduced as a result of a Loss Allocation to the Notes. The Counterparty shall only be obliged to pay amounts of principal and interest under the Certificates determined to be due to the Creditor thereof in accordance with the Certificates Conditions, which may be reduced as a result of such Loss Allocation. **In addition, (i) the reversal of Loss Allocations due to Late Recoveries and (ii) any Unjustified Loss Allocation is dependent on the Bank making corresponding payments under the Bank Swap.**

The Creditor of the Certificates shall have no right to or interest in any Note or any Reference Obligation even in the case that a Realised Loss in respect of such Reference Obligation has been allocated to the Notes and accordingly reduced the principal amount payable on the corresponding Certificate.

Trustee Collateral and Trustee Claim

The Issuer will grant a pledge (*Pfandrecht*) to the Trustee over:

- (a) all its present and future claims and rights against the Counterparty under the Certificates,
- (b) all its present and future claims and rights arising from the Administration Agreement, the Certificate Purchase Agreement, the Agency Agreement, the Transaction Account Agreement, the Transaction Account and the Subscription Agreement and

- (c) all its present and future claims and rights against the Trustee arising under the Trust Agreement

to secure the Trustee Claim under the Trust Agreement.

The Trustee Claim entitles the Trustee to demand that all present and future obligations of the Issuer under the Notes be fulfilled. See "THE TRUST AGREEMENT" and "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

There is no authority to the effect that the Trustee Claim (*Treuhänderanspruch*) of the Trustee against the Issuer established by the Trust Agreement may not be validly secured by a pledge of the relevant Trustee Collateral pursuant to the Trust Agreement. See "THE TRUST AGREEMENT". However, as there is no specific authority confirming the validity of such pledge either, the validity of such pledge is subject to some degree of legal uncertainty.

However, even if the First Pledge should be invalid, the Noteholders may still rely on the Second Pledges.

The market value of the collateral granted in respect of the Notes at any time may vary from its principal amount or the purchase price at which such collateral was initially purchased. Accordingly, with respect to the Notes, no assurance can be given as to the amount of proceeds of any sale, enforcement or disposition of the collateral in the context of an enforcement of collateral under the Notes and that the proceeds of any such sale, enforcement or disposition would be sufficient to repay the full amount of principal of and interest on the relevant Notes that the Noteholders would otherwise expect to receive in the event that the Notes are redeemed in accordance with the Terms and Conditions.

Adverse Effect on the Yield to Maturity

The yield to maturity of the Notes may be adversely affected by prepayments or redemptions on the Reference Obligations. The yield to maturity of the Notes of each Class will depend mostly on (a) the amount and timing of the repayment and/or prepayment of principal on the Reference Obligations and (b) the price paid by the Noteholders of each Class of Notes. The yield to maturity of the Notes of each Class may be adversely affected by prepayments of the Reference Obligations.

The rate of prepayment of Reference Obligations is influenced by a wide variety of economic and other factors, including the availability of alternative financing programmes and local and regional economic conditions.

Changing Characteristics of the Reference Pool

The size of the Initial Reference Pool is €718,054,748. The Bank may increase the size of the Reference Pool up to €900,000,000 by adding Reference Obligations to the Reference Pool following the Issue Date in accordance with the provisions set forth herein. The largest single Borrower exposure included in the Initial Reference Pool as of the Cut-off Date amounts to €40,000,000 representing 4.44% of the Scheduled Pool Nominal Amount.

In addition, the Bank may add new Reference Obligations to the Reference Pool or increase the size of existing Reference Obligations in the Reference Pool (including by way of Re-set during the Replenishment Period), subject to the satisfaction of the relevant Replenishment Criteria. If new Reference Obligations are added, there is no guarantee that future Reference Obligations, although required to meet the Replenishment Criteria, will perform better than or as well as the initial Reference Obligations. Further, Replenishment may lead to the result that the largest single

Borrower exposure included in the Reference Pool may increase to 7% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date.

In addition, the actual characteristics of the Reference Pool may change over time as a result of (a) amortisation in the Reference Pool, (b) Re-sets of Non-€ Reference Obligations and (c) removals from and other changes to the Reference Pool in accordance with the Transaction Documents.

As Reference Obligations are removed from and/or added to the Reference Pool, the characteristics of the Reference Pool may change from those existing at the Cut-off Date or the Issue Date. These changes may have (a) an impact on the amortisation profile of the Reference Pool as of the Cut-off Date such that the amortisation period is reduced and/or (b) an adverse effect on the yield of the Notes.

In particular but without limitation, the exposure may increase to certain countries including countries which currently have no exposure in the Reference Pool or no existing public infrastructure finance programme. The characteristics and terms of new Reference Obligations may differ from those of the initial Reference Obligations.

In addition, new Reference Obligations may have different payment characteristics from the Reference Obligations in the Reference Pool as of the Cut-off Date or the Issue Date. This could result in a reduction of yield received by investors under the Notes or an increase in the rate of repayment of the Notes. However, the new Reference Obligations will be required to meet the Replenishment Criteria which include, *inter alia*, the Eligibility Criteria.

Term of the Notes

Unless redeemed earlier in accordance with Section 9 (*Redemption - Amortisation of the Notes*), Section 10 (*Termination for Default*), or Section 11 (*Early Redemption by the Issuer*) of the Terms and Conditions, the Notes will be redeemed on the Scheduled Maturity Date. However, the redemption of the Notes may be deferred in accordance with Section 12 (*Deferred Redemption*) of the Terms and Conditions.

See "THE NOTES – Amortisation of the Notes".

See "THE NOTES – Termination for Default".

See "THE NOTES - Early Redemption by the Issuer".

See "THE NOTES – Deferred Redemption".

Early Automatic Redemption

The Notes will be redeemed in the amount equal to their respective Note Principal Amounts as at the Termination Date (as reduced by Realised Losses and increased by Late Recoveries and Unjustified Loss Allocation) upon the occurrence of an Automatic Termination Event.

An Automatic Termination Event occurs, if (i) the Issuer or its assets become subject to bankruptcy, examinership, insolvency, moratorium or similar proceedings, which affect or prejudice the performance of obligations under the Notes, or there is a refusal by the court to institute such proceedings for lack of assets, or (ii) the Bank Swap is terminated because of the occurrence of Serious Cause or Insolvency, or (iii), following the delivery of a Resignation Notice by the Trustee to the Noteholders, a replacement trustee is not appointed pursuant to the terms of the Trust Agreement by the Trustee Resignation Effective Date.

See "THE NOTES – Termination for Default".

Early Redemption by the Noteholders

Each Noteholder may declare due the Notes held by it by delivery of a written notice to the Issuer with a copy to the Trustee if a Default Event with respect to the relevant Note has occurred and has not been remedied prior to the delivery of such notice. If any Noteholder exercises such right, the Issuer will redeem all of the Notes as described herein (in particular, pursuant to Section 10 (*Termination for Default*) and, if applicable, as deferred pursuant to Section 12 (*Deferred Redemption*)).

A Default Event occurs if the Issuer fails to make any payment due to be made under the Notes within 30 Business Days from the relevant due date.

See "THE NOTES – Termination for Default".

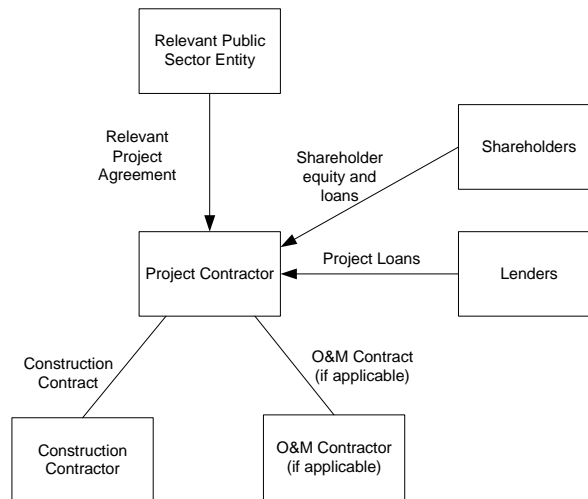
Early Redemption by the Issuer

The Issuer shall redeem the Notes as described herein before the Legal Maturity Date, if a Bank Swap Termination or a Certificate Termination occurs.

See "THE NOTES - Early Redemption by the Issuer".

Typical Risk Factors and Mitigants Associated with Infrastructure Projects

All of the loans included in the Reference Pool are to borrowers that have entered into a contract with a public sector entity as part of a public private partnership based infrastructure project, either for provision of a service directly to users, as in a toll road, or for the provision of an asset used to provide a public service, such as a hospital. Although there are many variations on this theme of public private partnership based infrastructure projects, the following diagram sets out the typical contractual framework for an infrastructure project of the type eligible for the Reference Pool.



In a generic sense, the economic basis for the public private partnership based infrastructure projects within the Reference Pool is that:

- (a) a Project Contractor enters into an Eligible Project Agreement with an Eligible Public Sector Entity, requiring the Project Contractor to procure design, construction, operation and maintenance of the requisite asset which is the subject of the Relevant Project for a fixed period and then to handover the asset to that public sector entity in a suitable condition;

- (b) generally, the Project Contractor subcontracts the construction of this asset to a construction contractor (the "**Construction Contractor**");
- (c) the Project Contractor raises finance from a combination of senior debt (resulting in Project Loans) and shareholder funds to pay the Construction Contractor;
- (d) the Project Contractor operates the relevant asset, either itself or with the help of an operating contractor (an "**O&M Contractor**") to whom it subcontracts operation, and thereby provides the asset or related services either to the Relevant Public Sector Entity or to some other user; and
- (e) in return for operating the asset, the Project Contractor receives revenue, either from the Relevant Public Sector Entity or from the users of the relevant assets or services, which is sufficient for it to pay (in order) its operating costs, debt service on its senior debt and a return to its shareholders.

In substance the overall effect of these arrangements is that these projects tend to have sufficient common features that the overall balance of risk allocation is comparable for most projects in the Reference Pool. This is in part driven by the pervading doctrine of project finance that a project will achieve its optimum risk allocation if risks are allocated to the project participants best able to manage those risks. Differences between projects in the different countries included within the Eligibility Criteria tend to be differences of emphasis, mitigation and detail rather than differences of fundamental concept.

Whilst there are clear differences in the treatment of certain risks between projects and in the documentation used for different projects, there are also examples of groups of projects which follow very similar structure and documentation. In some countries, this is the result of a deliberate attempt by the government to standardise documentation; in other cases, there is a natural tendency to follow established and applicable precedents where a project shares features (such as country, sector, participants or financiers) with earlier successfully executed projects.

One particular variable which determines the form of project related documentation is the legal system in the relevant country and the impact that it has on commercial documentation in that country. In countries which have a "common law" legal system, the law does not normally dictate terms which will apply to a commercial agreement unless explicitly set out in that agreement. As a result, commercial agreements (including the documentation relating to a project) tend to set out in detail the provisions addressing a wide range of circumstances and contingencies. By contrast, in countries which have a "civil law" legal system (such as many of the continental European countries), the law establishes pervading codes or principles which will apply to a commercial agreement even if not explicitly set out in that agreement. This often leads to a culture of shorter documentation which does not attempt to address such a wide range of contingencies, as the terms imposed by the general law are considered to provide an acceptable framework for the written agreement.

Set out below are some of the typical risks that arise on infrastructure projects eligible for the Reference Pool, along with a description of the typical mitigants which apply to those risks.

These descriptions of risks and mitigants are designed to draw attention in generic terms to the main areas of risk inherent in the transactions which make up the Reference Pool. As such they do not constitute a complete description of the risks inherent and/or mitigants utilised in any individual transaction.

1 Construction Delay/Cost overrun

There are two principal risks that may arise in the construction period. Firstly there is the risk that construction of a project's assets (and certification of the service to be provided) may not be completed within the expected and agreed price; secondly construction (and certification) may not be completed on time.

Typically the Project Contractor subcontracts its construction obligations to a Construction Contractor on the basis of a fixed price, date certain construction contract (the "**Construction Contract**"). Such a Construction Contract will normally seek to pass the majority of risks relating to price and/or time (to the extent that those risks are not retained by the Relevant Public Sector Entity under the Relevant Project Agreement) to the Construction Contractor, subject to certain agreed maximum liabilities.

If there is a delay in construction, the Project Contractor will normally suffer a delay in the start of its full revenue earning capability (either under the Relevant Project Agreement or direct from users of the relevant asset or services, depending on the payment structure applicable to the project); at the same time the Project Contractor will often become liable to start repayment of the Project Loans. Under the Construction Contract the Construction Contractor will normally be required to pay liquidated damages for failure to complete construction on time other than in specified circumstances. The level of liquidated damages will normally be set so as to enable the Project Contractor, amongst other things, to service its debt service obligations in respect of the Project Loans.

Generally the Construction Contractor will seek to cap its liability under the Construction Contract. This will often take the form of a cap on its overall liability described as a percentage of the total construction price and also a limitation on the period for which it will continue to be liable to pay liquidated damages.

Finally, the Construction Contractor's performance obligations will often be guaranteed by its parent company (or parent companies, where the Construction Contract is a joint venture). On some transactions there may be third party support for performance by the Construction Contractor in the form of a surety bond. In each case, the Project Contractor (and therefore its lenders) are inherently subject to the risk of a payment default by the Construction Contractor, the relevant parent company guarantor and/or surety bond provider and hence are dependent on the credit quality of those counterparties as well as their technical expertise.

2 Revenue Risk

There are two main types of payment mechanisms (and with them related forms of revenue risk) which are prevalent in infrastructure projects. These are (i) availability based payment mechanisms and (ii) demand/usage based mechanisms.

Broadly speaking, an availability based payment mechanism is one in which the Project Contractor is paid for making the relevant asset or service available for use irrespective of whether the Relevant Public Sector Entity or prospective users actually use it (and in this way it resembles "take or pay" structures seen elsewhere in project finance). In a demand/usage based structure, the Project Contractor receives payment based on the number of actual users or the amount of actual use of the relevant asset or services. This revenue can either come from the users themselves (as is the case in a user-pay toll road structure) or from the Relevant Public Sector Entity (if it is not itself the user, for example in the case of a shadow toll road structure).

In some projects there is a combination of availability based payments and demand/usage based payments. This tends to occur either (i) to compensate the Project Contractor against increased operating costs arising from increased usage or (ii) to limit the extent to which payment of debt service to senior lenders (as opposed to payment of returns to shareholders) is dependent on actual usage (see paragraph 2.2 below). Other projects may have bespoke payment mechanisms based on other factors, such as payment based on reduced traffic congestion.

In any payment mechanism where the Project Contractor relies on payments from the Relevant Public Sector Entity, the Project Contractor is subject to the risk of a payment default by that Relevant Public Sector Entity. However, such a non-payment may potentially trigger a termination of the Relevant Project Agreement for Relevant Public Sector Entity default. As referred to in paragraph 7 (*Termination*) below, this is likely to be accompanied by a claim for compensation from the Project Contractor and this will act as an incentive for the Relevant Public Sector Entity to avoid payment defaults in ordinary circumstances.

2.1 Availability and performance/operating risk

Many (but not all) projects will have a payment structure based on the availability of the buildings or assets which are central to the project during the operating phase of the project and the Relevant Public Sector Entity will only have to pay the agreed price under the Project Agreement (the "**Availability Charge**") to the extent that the project assets are actually available in the requisite standard for use by the Relevant Public Sector Entity (and irrespective of whether the Relevant Public Sector Entity chooses actually to use them). In addition, payment of the Availability Charge will normally be subject to deductions where the services to be provided by the Project Contractor to the Relevant Public Sector Entity fail to meet the agreed performance standards. Together these factors make up the payment mechanism, which can be both complex and specific to the individual transaction.

Operation of the project assets and provision of the project services will normally either be conducted by the Project Contractor itself (possibly with the benefit of operating or technical support arrangements) or be subcontracted to one or more O&M Contractors on the basis of operating and maintenance contracts ("**O&M Contracts**") which pass down the operating phase obligations of the Project Contractor under the Project Agreement to the O&M Contractors on broadly the same terms. Where an O&M Contractor fails to perform its obligations under its O&M Contract it is normally liable to the Project Contractor for the reduction in revenue resulting from that failure, subject to caps on the O&M Contractor's liability which typically reflect the value of the relevant O&M Contracts (and hence may appear low in comparison to the Availability Charge). To the extent that these caps are exceeded the Project Contractor's revenue is likely to be adversely affected, although in the longer term the Project Contractor may be able to act on persistent poor performance by replacing an O&M Contractor who is performing poorly.

Subject to the various caps on liability, the Construction Contract and the O&M Contracts will normally together provide a regime in which, subject to certain exceptions, the Project Contractor has recourse to one or more out of the Construction Contractor and the O&M Contractors for reductions in its revenue from the Relevant Public Sector Entity which are attributable to performance failures or defects in the construction of the underlying assets.

2.2 Demand/usage risk

Some projects may have a payment structure in which all or a material part of the Project Contractor's expected revenue is not based on the availability of the project assets, but instead is based on the actual usage of those assets (the "**Usage Fee**").

The relationship between performance and demand based revenue is less clear cut than for availability based payment systems. In some cases it may be possible to attribute reduced revenue to poor performance; in other cases, where there is less elasticity of demand, poor performance may not have such a marked impact on revenue.

Project sponsors and lenders will normally seek to reduce their exposure to demand or usage risk and will seek robust demand forecasts supporting projected revenue. In some cases hybrid payment structures based on a combination of both availability based payments and usage based payments may apply in order to limit the extent to which lenders are exposed to demand/usage based risk.

In the Replenishment Criteria, Reference Obligations which relate to user pay (e.g., real toll or farebox) projects will only be eligible for Replenishment if they have been operated for not less than 12 months prior to Replenishment.

3 Lifecycle and maintenance costs

On some projects the Project Company may be able to subcontract lifecycle and other maintenance to an O&M Contractor on the basis of a fixed price for the life of the project (subject to caps on the O&M Contractor's liability where it fails to perform). On other projects the cost of lifecycle and other maintenance may or may not remain with the Project Company to be met out of project revenues as and when it arises. In the latter case, the project lenders may require the Project Company to build and maintain a cash reserve against projected future maintenance expenditure or to arrange for the provision of alternative financial support (such as contingent equity).

4 Operating cost risk

Generally the Project Company will be expected to include the costs of operating a project within the contracted revenue model relating to that project and will then either manage the risk of fluctuations in those operating costs itself or pass that risk on to the O&M Contractors in the form of fixed price O&M Contracts subject to an escalation formula. In some projects, however, some or all of the services may be subject to benchmarking or market testing. These processes typically allow either (i) for adjustments to be made to the price of the relevant O&M Contracts and to the overall Availability Charge or usage fee in order to reflect the prevailing market price for the relevant services or (ii) retendering of the O&M Contracts with a sharing in the Availability Charge/Usage Fee of any adjustment in the cost of the services which results from the retendering.

An exposure to operating cost risk also potentially arises if an O&M Contractor defaults under its O&M Contract and that O&M Contract is terminated. In seeking to replace the terminated O&M Contractor, the Project Contractor will need to agree a price for that O&M Contract which is consistent with market circumstances prevailing at the time of replacement, even if that represents a higher price than that previously paid to the terminated O&M Contractor and is not reflected in the Availability Charge or Usage Fee.

5 General Financial Risks

The loans which constitute the Reference Pool are generally at floating interest rates. The Borrower does not have the ability to pass on interest rate variations either directly to users or under the Relevant Project Agreement by way of increased charges. A significant portion of this floating interest rate exposure is generally hedged by way of interest rate swaps or other derivatives. Given the uncertainties as to precise timing of cash flows, most projects are exposed to a limited residual floating interest rate exposure.

The income of most Project Contractors in the sectors of infrastructure that are eligible for the Reference Pool is indexed by reference to published measures of general inflation. Their operating and maintenance costs vary in line with a range of different parameters. In many projects, the risk of mismatch between the indexation of income and costs is passed down to the operations sub-contractor. However, this pass-down does not always cover the full extent of the Project Contractor's costs and there is therefore a risk that debt service coverage ratios may be eroded by differential price increases.

In a limited number of circumstances, the currency of the Reference Obligation may be different from the currency in which the Project Contractor receives its income. In the context of the Reference Pool, this applies to projects in some of the former communist countries of Central and Eastern Europe and arises because domestic financial markets cannot reliably provide the volumes and maturities of financing required to support infrastructure investments. Where this arises in a project with an availability charge or shadow toll, this will be adjusted for changes in exchange rates. A significant devaluation of the domestic currency against the currency of the loan will increase the obligations of the Relevant Public Authority in domestic currency terms. In the context of projects where users pay directly, user charges will also be adjusted for changes in exchange rates. There may be limitations on the ability of users to absorb significant increased costs either immediately or at all. Furthermore, continued timely debt service by the Borrower is dependent upon the monetary authorities of the country in which the Relevant Project is located continuing (i) to exchange the domestic currency for the currency in which the Reference Obligation is denominated and/or (ii) to allow the transfer of foreign currencies outside the relevant country.

6 Changes in Circumstances/Supervening Events

Generally the Project Contractor is responsible for delivering the relevant asset and/or services under the Relevant Project Agreement and for managing the risks inherent in that delivery. This means that in general the Project Contractor bears the risk of events or circumstances which either prevent performance or make performance more difficult or more expensive. However most Relevant Project Agreements will recognise the occurrence of certain supervening events or changes in circumstance for which the Project Contractor does not bear all the risk.

Although there are many formulations for the allocation of risk relating to these changes in circumstances or supervening events, most projects subdivide them into those for which the Relevant Public Sector Entity is primarily responsible and bears predominately all of the risk and those which are outside of the control of both the Relevant Public Sector Entity and the Project Contractor (such as events of force majeure) and for which there is a shared risk position.

Where the Relevant Public Sector Entity bears predominately all the risk, the Project Contractor is typically entitled to (i) relief from the consequences of it breaching the Relevant Project Agreement, (ii) extension of time for completion of construction of the relevant asset and (iii) compensation for losses (including reduced revenue and increased costs), in each case to the extent that the breach, delay or losses are caused by the relevant event. The position for shared risk events is more varied, but often the Project Contractor will be entitled to (i) relief from the consequences of breach and (ii) extension of time for completion of construction, but not compensation for losses (or only partial protection against losses).

Many of the events for which the Project Contractor receives relief but not compensation will also be insurable and the losses suffered by the contractor will be mitigated by insurance, including for example damage to property (which may be covered by physical damage insurance), third party liabilities (which may be covered by third party liability insurance) and lost revenues (which may be covered by business interruption insurance). The extent of such insurance cover and its cost may vary from time to time as a result of changes in conditions in the insurance market.

The provisions of the Relevant Project Agreement relating to supervening events and changes in circumstance vary greatly depending on the legal system which applies in the Relevant Country. In jurisdictions where the legal system does not set out a framework protecting contractual counterparties from events which are beyond their control (particularly common law jurisdictions) the provisions can be lengthy and complex, setting out in detail the relief and compensation which is available for each event. By contrast, where the legal system does impose applicable provisions (particularly in civil law jurisdictions), the contractual provisions can be more abbreviated with the general law dictating principles of reasonableness or fairness which are typically intended to maintain the overall financial balance of the Relevant Project Agreement (and in some cases the process by which compensation is applied is known as "financial rebalancing").

7 Termination

Virtually every Relevant Project Agreement will include, to some degree, circumstances in which either the Relevant Public Sector Entity or the Project Contractor can terminate the Relevant Project Agreement. Typically these will be separated into events which represent a Project Contractor default (for which the Relevant Public Sector Entity can terminate) and those which represent a Relevant Public Sector Entity default (for which the Project Contractor can terminate). In addition there are often further events (such as the occurrence of extended force majeure) which are not classed as being due to the default of either party, but nonetheless entitle either or both parties to terminate the Relevant Project Agreement.

The consequences of termination and the manner in which they are documented vary considerably from project to project, particularly between different Relevant Countries or Relevant Public Sectors. However there are some common themes which are frequently applicable.

On a termination for Relevant Public Sector Entity Default, it is normal for the Project Contractor and its lenders and shareholders to be held harmless as a result of that termination, including full repayment of the Project Loans and payment of an agreed level of return to the shareholders.

On a termination for Project Contractor default, it is normal for the project assets to be transferred to the Relevant Public Sector Entity (or at least for the Relevant Public Sector Entity to have option to have them transferred to it). Although the structures vary greatly (and documentation can be detailed and complex or can simply rely on applicable provisions of general law), there is normally some requirement for the Relevant Public Sector Entity to pay a level of compensation for acquiring that asset so that it is not seen to have received an unjust windfall of an asset for which it had not paid. Typically this compensation will go towards repayment of the Project Loans, but will often be insufficient to ensure full repayment (and normally there will be no surplus to be returned to shareholders)

On a termination where no party is at fault, compensation will often be designed to be sufficient to repay the Project Loans in full, with a limited surplus to be returned to shareholders. Payment of such termination compensation is inevitably subject to the risk of a payment default by that Relevant Public Sector Entity.

8 Reference Collateral

Senior lenders to Infrastructure Projects typically seek to ensure that they benefit from security instruments and contractual rights that cause the Reference Obligation effectively to rank as senior secured debt of the Borrower. However, notwithstanding the security and contractual rights granted in respect of the Reference Obligation, certain other creditors, either by statutory or legal preference or as a part of the overall financing structure, may have rights that rank ahead of those granted to secure the Reference Obligation in certain circumstances. Furthermore, the precise extent and nature of such security instruments and contractual rights varies depending on the Relevant Country and Relevant Project Sector of the Reference Obligation as do the means and consequences of enforcing such security and contractual rights.

9 Political Risk

Although the Relevant Project Agreement may include provisions purporting to address certain abuses by the state or Relevant Public Sector Entity, any project is inherently subject to political risk in the country in which it is located. Examples of political acts falling within this category include discriminatory legislative acts, expropriation, non-payment or transfer of the Relevant Public Sector Entity's obligations (including its payment obligations) to an entity outside of the public sector. Because of their nature, it is not possible to protect fully against these events in the Relevant Project Agreement (although contractual provisions can give substantial comfort). However the likelihood of their occurrence should be judged in the context of the Eligible Countries in which projects eligible for the Reference Pool can be located.

Compliance and Loss Allocation

Compliance with the Terms and Conditions, in particular the Eligibility Criteria, the Replenishment Criteria and the Servicing Standards, the Trust Agreement and other Transaction Documents is no guarantee or assurance that (a) risks outlined herein will not materialise, or (b) Realised Losses will not be incurred in respect of the Reference Obligations and allocated to the Notes pursuant to Loss Allocation.

Pursuant to the conditions to Loss Allocation set out in Section 13.2 (*Loss Allocation – Conditions to Loss Allocation*) of the Terms and Conditions, the Loss Allocation is not subject to the condition that the Issuer has complied with its obligations under the Transaction Documents in all respects.

However, pursuant to statutory provisions of German law (e.g., Section 314 of the German Civil Code), the violation of an obligation by the Issuer in a material way may grant the Noteholder the right to terminate the Notes due to Serious Cause (*wichtiger Grund*).

Reliance on the Creditworthiness of the Bank and the Counterparty

The ability of the Issuer to meet its obligations under the Notes will be dependent on its receipt of payments under the Certificates from the Counterparty and of payments in respect of the Issuer Costs and Extraordinary Costs pursuant to the Trust Agreement from the Bank.

Pursuant to the Conditions of the Certificates, the Counterparty has the right to re-pay the principal amounts of the Certificates, if:

- (a) a Counterparty Regulatory Event, or
- (b) a Counterparty Tax Event has occurred.

Such re-payment of the Certificates will result in an early redemption of the Notes as described herein.

See "THE NOTES - Early Redemption by the Issuer"; "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

Further, (i) the reversal of Loss Allocations due to Late Recoveries and (ii) any Unjustified Loss Allocation is dependent on the Bank making corresponding payments under the Bank Swap.

In addition, the termination of the Bank Swap will result in early redemption of the Notes as described herein.

See "THE NOTES – Termination for Default"; "THE NOTES - Early Redemption by the Issuer"; "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL".

Consequently, the Issuer is relying on the creditworthiness of the Counterparty and, to the extent described in the preceding paragraph, the Bank in respect of payments made under the Bank Swap and the Trust Agreement, respectively.

Reliance on third parties

The Issuer is a party to contracts with a number of other third parties that have agreed to perform services in relation to the Notes. For example, the Administrator has agreed to provide corporate services and the Principal Paying Agent has agreed to provide payment and calculation services in connection with the Notes. If any relevant third party was to fail to perform its obligations under the respective agreements to which it is a party, investors may be adversely affected.

Re-sets of Non-€ Reference Obligations

As of any Re-set Date, the Bank may re-set the then Outstanding € Equivalent Amount of the Non-€ Reference Obligations based on movements in the Bank Exchange Rate between € and the currency of such Non-€ Reference Obligation if certain conditions described herein are complied with.

Any Re-set can lead to:

- (a) a decrease in, and
- (b) if made during the Replenishment Period, a decrease in or an increase in

the Outstanding € Equivalent Amount of the relevant Non-€ Reference Obligations, provided that in case of an increasing Outstanding € Equivalent Amount, the relevant Replenishment Capacity

must not be exceeded and the Replenishment Criteria (other than the few Replenishment Criteria enumerated in Provision 2.3(b)(iv) of the Reference Pool Provisions) need to be complied with.

The Bank is not obliged to Re-set the Outstanding € Equivalent Amounts of the Non-€ Reference Obligations and, therefore, the Noteholders may not rely on the Bank exercising its right to Re-set.

A reduction of the Outstanding € Equivalent Amount of a Reference Obligation as a result of a Re-set increases the Bank's ability to replenish the Reference Pool and an increase of the Outstanding € Equivalent Amount of a Reference Obligation as a result of a Re-set reduces the Bank's ability to replenish the Reference Pool during the Replenishment Period and consequently can change the amortisation and other characteristics of the Reference Pool.

An increase of the Outstanding € Equivalent Amount of a Reference Obligation as a result of a Re-set may, *inter alia*, (i) increase the Realised Loss (if any) corresponding to such Reference Obligation, if a Credit Event occurs after such Re-set, (ii) change the amortisation and other characteristics of the Reference Pool and (iii) reduce the Replenishment Capacity.

Limited Information

The Bank is under no obligation and will not provide the Issuer, the Trustee or the Noteholders with financial or other information with respect to the Reference Obligations or the Borrowers except as specifically set out in the Terms and Conditions and the Trust Agreement. Except as set out in the Terms and Conditions and the Trust Agreement, the Issuer and the Bank will have no obligation and will not be required to keep the Noteholders and/or the Trustee informed as to the performance of the Reference Obligations, the compliance of the Reference Pool with the Reference Pool Provisions and as to matters arising in relation to the Borrowers or guarantors of the Reference Obligations, including information on the Bank's or the relevant Affiliate's other exposures to any Borrower or whether or not circumstances exist under which there is a possibility of the occurrence of a Credit Event and/or Realised Loss. Further, the Noteholders will have no right to inspect the internal records of the relevant Bank Entity.

No Independent Investigation

Neither the Issuer nor the Trustee have conducted or will conduct any independent investigations of the Reference Pool. The Trustee will only conduct such reviews and verifications in respect of the Reference Pool to the extent set out in the Trust Agreement.

Reliance on Administration and Collection Procedures

The relevant Bank Entity, as Servicer will Service the loans in accordance with the Procedures Manual, the Credit and Collection Policies and the Servicing Standards taking into account the interests of the Transaction Creditors and of the Counterparty by seeking to minimise any losses. The Servicing Standards are attached as Appendix C to the Terms and Conditions and constitute an integral part of the Terms and Conditions.

See "REFERENCE POOL SERVICING – Servicing Standards".

Subject to certain conditions being met, any Bank Entity may be substituted in its function as Servicer of any or all of the Reference Obligations by any other Bank Entity.

"**Servicing**" and "**to Service**" means in this context:

- (a) in respect of a Reference Obligation that is neither a Syndicated Reference Obligation nor a Sub-participation the monitoring, administration, collection and enforcement of such Reference Obligation, including if appropriate in the judgement of the relevant Servicer the enforcement of the related Reference Collateral;

- (b) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the Agent Bank or the Bond Trustee is not the relevant Bank Entity, the timely monitoring and administration of such Reference Obligation, including responding to and communicating with the Agent Bank, the Bond Trustee, the Security Agent, if any, and the Security Trustee, if any, and casting the Servicer's vote in any decision required under the Related Financing Documents;
- (c) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the relevant Bank Entity is the Agent Bank, the monitoring, administration, collection and enforcement of such Reference Obligation in accordance with the Related Financing Documents, including if required:
 - (i) responding to and communicating with the Syndicate of Lenders, the Security Agent, if any and the Security Trustee, if any, and
 - (ii) enforcement of the Reference Collateral if such is in the scope of the Agent Bank's authority all in accordance with the powers of the Agent Bank and where appropriate, the instructions of the Syndicate of Lenders; and
- (d) in respect of a Reference Obligation that is a Subparticipation, the timely monitoring and administration of such Reference Obligation, including responding to the Participant where required and exercising such rights of decision making as are granted by the underlying sub-participation agreement.

The actions required to Service the Reference Obligations as described in (a) to (d) above shall be undertaken in accordance with the Procedures Manual, the Credit and Collection Policies and the relevant Bank Entity's internal procedures from time to time and otherwise on a timely basis, in accordance with the relevant Bank Entity's professional judgement, in accordance with the requirements of the relevant Related Financing Documents and as if the Reference Obligations had not been included in this Transaction.

Nothing shall prevent the relevant Servicer or another Bank Entity from enforcing (aa) its rights in its capacity as agent or Agent Bank under a Reference Obligation or any Related Financing Documents in preference to its rights as a Lender thereunder to the extent that its rights as agent or Agent Bank are given preference in the relevant Reference Obligation or Related Financing Documents, or (bb) its rights as secured creditor against the parties providing security in respect of any loan to or debt obligation (other than a Reference Obligation) of the Borrower of a Reference Obligation provided that such security does not constitute Reference Collateral granted in respect of a Reference Obligation.

Accordingly, the Noteholders are relying on the business judgement and practices of the Servicer in administering the Reference Obligations, enforcing claims against Borrowers, including taking decisions with respect to enforcement and/or foreclosure on the related Reference Collateral.

Conflicts of Interest of the Bank

The Bank is acting in a number of capacities in connection with the Transaction. The Bank, acting in connection with the Transaction, will have only the duties and responsibilities expressly agreed to by it in the relevant capacity and will not, by virtue of it or any of its Affiliates' acting in any other capacity, be deemed to have any other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. The Bank in its various capacities in connection with the Transaction may enter into business dealings from which it may derive revenues and profits without any duty to account therefor in connection with the Transaction.

The relevant Bank Entity may hold and/or service other claims against the Borrowers other than the Reference Obligations. The interests or obligations of the relevant Bank Entity and its respective capacities with respect to such other claims may in certain aspects conflict with the interests of the Noteholders.

The relevant Bank Entity may engage in commercial relationships, in particular, be lender, provide investment banking and other financial services to the Borrowers and other parties. In such relationships, the relevant Bank Entity is not obliged to take into account the interests of the Noteholders. Accordingly, because of these relationships, potential conflicts of interest may arise with the Transaction.

Limited Liquidity

There is currently no secondary market for the Notes.

However, application has been made to the Irish Financial Services Regulatory Authority, as competent authority under Directive 2003/71/EC, for the prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

There can be no assurance that a secondary market for the Notes will develop or that a market will develop for all Classes of Notes or, if it does develop, that it will continue.

Rating of the Notes

Any Rating Agency may lower its ratings assigned to the Notes or withdraw its rating if, in the sole judgement of such Rating Agency, *inter alia*, the credit quality of the Notes has declined or is in question. If any rating assigned to the Notes is lowered or withdrawn, the market value of the Notes may be reduced.

Proposed changes to the Basel Capital Accord and the risk weighted asset framework

In June 1999, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued proposals for reform of the 1988 Capital Accord and proposed a new capital adequacy framework which places enhanced emphasis on market discipline. Following an extensive consultation period on its proposals, the Basel Committee announced on May 11, 2004 that it had achieved consensus on the framework of the "**New Basel Capital Accord**". The text of the New Basel Capital Accord was published on June 26, 2004 as "International Convergence of Capital Measurement and Capital Standards: A Revised Framework". This text will serve as the basis for national and super national rule-making and approval processes to continue and for banking organisations to complete their preparation for the implementation of the New Basel Capital Accord. The Basel Committee confirmed that it is currently intended that the various approaches under the framework be implemented in stages, some from year-end 2006, and the most advanced at year-end 2007. The New Basel Capital Accord proposals could affect risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by the proposals. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord proposals.

Change of law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on German law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to German law or administrative practise after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the Issuer's ability to make payments in respect of the Notes.

European Union directive on the Taxation of Savings Income

On 3 June 2003 the Economic and Financial Affairs Council of the European Union (ECOFIN Council) adopted directive 2003/48/EC on taxation of savings income in the form of interest payments ("**Savings Directive**"). Under the Savings Directive and from 1 July 2005, each EU Member State (other than Austria, Belgium and Luxembourg) is required to provide the tax authorities of another EU Member State with details of payments of interest and other similar income paid by a person in one EU Member State to an individual resident in another EU Member State. Austria, Belgium and Luxembourg must instead impose a withholding tax for a transitional period unless during such period they elect to participate in the information exchange.

Therefore, the Savings Directive may prevent an investor in Notes from receiving interest on the Notes in full.

No additional amounts will be payable, if any withholding or deduction is required to be made pursuant to the Savings Directive on income in the form of interest payments or any law implementing or complying with, or introduced in order to conform to, such Savings Directive or law.

Taxation

This subsection should be read in conjunction with the Section entitled "Taxation" where more detailed information is given. Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences of purchasing, holding and disposing of the Notes under the tax laws of the country of which they are residents.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments under the Notes and/or Certificates become subject to withholding or deduction of taxes. See "THE NOTES - Taxes"; "THE CERTIFICATES; COLLATERAL AND NOTEHOLDER COLLATERAL".

The Issuer will receive the funds necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.

If any withholding or deduction on account of taxes is imposed with respect to payments by the Counterparty under the Certificates, the amount payable by the Issuer under any Note of a particular Class shall be reduced by the amount of such withholding or deduction made with respect to the corresponding Certificate divided by the number of Notes of the Class of Notes relating to such Certificate. See "THE NOTES - Taxes".

The Noteholders will not have the right to require an early redemption of the Notes if withholding or deduction of taxes is imposed with respect to payments on the Notes and/or the Certificates.

The Issuer will redeem all of the Notes if a Bank Swap Termination or a Certificate Termination occurs as a result of certain tax events, including if withholding taxes or tax deductions are imposed on the payments made by the Bank, the Counterparty, and/or the Issuer in respect of payments on the Notes, the Certificates and/or the Swap Agreements. See "THE NOTES - Early Redemption by the Issuer". See "TAXATION".

THE NOTES

The following is the text of the Terms and Conditions applicable to all Classes of Notes. These Terms and Conditions will be attached to each Global Note. In case of any overlap or inconsistency in the definition of a term or expression in the Terms and Conditions and elsewhere in this Prospectus, the definition in the Terms and Conditions will prevail.

THE PAYMENT OF PRINCIPAL OF AND, DUE TO POTENTIAL PRINCIPAL REDUCTIONS, INTEREST ON THE NOTES IS CONDITIONAL UPON THE PERFORMANCE OF THE REFERENCE POOL AND THE REFERENCE OBLIGATIONS CONTAINED THEREIN AS SET OUT IN SECTION 13 (LOSS ALLOCATION), SECTION 14 (LATE RECOVERIES) AND SECTION 15 (UNJUSTIFIED LOSS ALLOCATION). IN ADDITION, THE REVERSAL OF LOSS ALLOCATIONS DUE TO LATE RECOVERIES AND ANY UNJUSTIFIED LOSS ALLOCATION IS SUBJECT TO THE SATISFACTION OF THE PAYMENT CONDITION.

THERE IS NO GUARANTEE THAT THE NOTEHOLDERS WILL RECEIVE THE FULL PRINCIPAL AMOUNT OF THE NOTES AND INTEREST THEREON AND ULTIMATELY THE OBLIGATIONS OF THE ISSUER TO PAY PRINCIPAL UNDER THE NOTES COULD BE REDUCED TO €1 PER NOTE AS A RESULT OF LOSSES INCURRED IN RESPECT OF THE REFERENCE POOL OR ANY REFERENCE OBLIGATION.

NEITHER THE NOTEHOLDERS NOR THE ISSUER SHALL HAVE ANY RIGHT TO OR INTEREST IN THE REFERENCE POOL OR ANY REFERENCE OBLIGATION EVEN IF A REALISED LOSS IN RESPECT OF THE REFERENCE POOL OR ANY REFERENCE OBLIGATION HAS BEEN ALLOCATED TO THE NOTES IN ACCORDANCE WITH THE LOSS ALLOCATION.

THE NOTES REPRESENT OBLIGATIONS OF THE ISSUER ONLY, AND DO NOT REPRESENT AN INTEREST IN OR OBLIGATIONS OF THE LEAD MANAGER, THE TRUSTEE, THE AGENTS, ANY BANK ENTITY, THE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR ANY AFFILIATE OF THE ISSUER OR ANY OTHER THIRD PERSON OR ENTITY. NONE OF THE NOTES, THE REFERENCE POOL OR THE REFERENCE OBLIGATIONS WILL BE INSURED OR GUARANTEED BY ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY OR BY ANY BANK ENTITY, THE LEAD MANAGER, THE TRUSTEE, THE AGENTS OR THE COUNTERPARTY OR ANY OF THEIR RESPECTIVE AFFILIATES OR BY ANY OTHER PERSON OR ENTITY EXCEPT AS DESCRIBED HEREIN.

1 Notes

1.1 Principal Amounts

Essential Public Infrastructure Capital II GmbH, incorporated under the laws of the Federal Republic of Germany as a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) with its registered office in Frankfurt am Main, Federal Republic of Germany issues the following Classes of credit linked Notes in bearer form pursuant to these Terms and Conditions:

- (a) Class A+ Notes which are issued in an initial aggregate principal amount of €250,000 and divided into 5 Class A+ Notes, each having an initial principal amount of €50,000,

- (b) Class A Notes which are issued in an initial aggregate principal amount of €45,000,000 and divided into 900 Class A Notes, each having an initial principal amount of €50,000,
- (c) Class B Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class B Notes, each having an initial principal amount of €50,000,
- (d) Class C Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class C Notes, each having an initial principal amount of €50,000,
- (e) Class D Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class D Notes, each having an initial principal amount of €50,000, and
- (f) Class E Notes which are issued in an initial aggregate principal amount of €6,750,000 and divided into 135 Class E Notes, each having an initial principal amount of €50,000.

1.2 Definitions

Unless the context requires otherwise, terms used but not defined in these Terms and Conditions have the same meaning given to them in the Transaction Definitions Schedule forming part of these Terms and Conditions, as attached to the Global Notes and all other references shall be construed in accordance therewith.

1.3 Appendices

Each of Appendix A (*Trust Agreement*), Appendix B (*Reference Pool Provisions*), Appendix C (*Servicing Standards*), Appendix D (*Noteholder Security Agreement*) and Appendix E (*Transaction Definitions Schedule*), Appendix F (*Reference Obligation List*) attached hereto, forms an integral part of these Terms and Conditions.

1.4 Global Notes

Each Class of Notes is initially represented by a Temporary Global Note without interest coupons. Each Temporary Global Note shall be exchangeable, as provided in Section 1.5 (*Notes - Exchange of Temporary Global Notes*) for a Permanent Global Note without interest coupons representing each such Class. Each Permanent Global Note shall be kept in custody by HSBC Bank plc or any successor as Common Depositary for Euroclear and Clearstream, Luxembourg, until all obligations of the Issuer under the Class represented by it have been satisfied.

Definitive Notes and interest coupons shall not be issued.

Copies of the form of the Global Notes are available free of charge at the specified offices of the Principal Paying Agent and the Irish Paying Agent.

1.5 Exchange of Temporary Global Notes

The Temporary Global Notes shall be exchanged for the Permanent Global Notes on the Exchange Date. Each Permanent Global Note delivered in exchange for the relevant Temporary Global Note shall be delivered only outside of the United States.

Any exchange of a Temporary Global Note pursuant to this Section 1.5 (*Notes - Exchange of Temporary Global Notes*) shall be made free of charge to the Noteholders.

1.6 Execution

Each Global Note is manually signed on behalf of the Issuer and authenticated by the Principal Paying Agent.

2 Rights and Obligations under the Notes

2.1 Status of the Notes

The Notes constitute direct and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and at least *pari passu* with all other current and future unsubordinated obligations of the Issuer subject to Loss Allocation pursuant to Section 13 (*Loss Allocation*), allocation of Late Recoveries pursuant to Section 14 (*Late Recoveries*), the Unjustified Loss Allocation pursuant to Section 15 (*Unjustified Loss Allocation*), the Trustee Collateral and the Noteholder Collateral pursuant to Section 3 (*Trustee Collateral; Noteholder Collateral*) and the redemption of the Notes in accordance with Section 9 (*Redemption - Amortisation of the Notes*) and Section 8 (*Redemption – Scheduled Maturity Date*), if applicable.

The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of the Reference Pool and the Reference Obligations as set out in Section 13 (*Loss Allocation*), Section 14 (*Late Recoveries*) and Section 15 (*Unjustified Loss Allocation*). In addition, the reversal of Loss Allocations due to Late Recoveries and the Unjustified Loss Allocation is dependent on the satisfaction of the Payment Condition as set out in Section 14.3 (*Late Recoveries – Conditions Precedent*) and Section 15.2 (*Unjustified Loss Allocation – Conditions Precedent*). There is no guarantee that the Noteholders will receive the full principal amount of the Notes and interest thereon and ultimately the obligations of the Issuer to pay principal under the Notes could be reduced to €1 per Note as a result of losses incurred in respect of the Reference Pool or any Reference Obligation.

2.2 Obligations under the Notes

The Notes represent obligations of the Issuer only, and do not represent an interest in, or obligations of, the Lead Manager, the Trustee, the Agents, any Bank Entity, the Counterparty or any of their respective affiliates or any affiliate of the Issuer or any other third person or entity. None of the Notes, the Reference Pool or the Reference Obligations will be insured or guaranteed by any governmental agency or instrumentality or by the Lead Manager, any Bank Entity, the Trustee, the Agents or the Counterparty or any of their respective affiliates or by any other person or entity except as described herein.

2.3 Limited Recourse

The Issuer's ability to satisfy its payment obligations under the Notes in full is dependent upon it receiving in full the amounts payable to it under the Certificates, under the other Transaction Documents to which it is a party and/or the amount of the proceeds resulting from enforcement of the security granted by the Issuer to the Trustee over the Certificates and its other assets pursuant to the Trust Agreement,

or, as the case may be, the amount of proceeds resulting from enforcement of the security granted by the Issuer to the Lead Manager, as the initial holder of the Notes, pursuant to the Noteholder Security Agreement. If the Trustee enforces the claims under the Notes, such enforcement will be limited to the Trustee Collateral. To the extent that the Trustee Collateral, or the proceeds of the realisation thereof, prove ultimately insufficient to satisfy the claims of all Noteholders in full, then any shortfall arising shall be extinguished and neither any Noteholder nor the Trustee shall have any further claims against the Issuer, provided that the foregoing shall be without prejudice to the right to exercise any termination or early redemption rights. The Trustee Collateral and the proceeds therefrom shall be deemed to be "ultimately insufficient" at such time when, in the reasonable opinion of the Trustee, no further Trustee Collateral is available and no further proceeds can be realised therefrom to satisfy any outstanding claims of the Noteholders, and neither Trustee Collateral nor proceeds will be available thereafter.

2.4 No Interest in Reference Obligations

Neither the Noteholders nor the Issuer shall have any right to or interest in any Reference Obligation even if a Realised Loss in respect of such Reference Obligation has been allocated to the Notes in accordance with the Loss Allocation.

3 Trustee Collateral; Noteholder Collateral

3.1 Trustee Collateral

The Issuer shall grant a pledge (*Pfandrecht*) over all its present and future claims and rights:

- (a) against the Counterparty under the Certificates,
- (b) arising from the Administration Agreement, the Certificate Purchase Agreement, the Agency Agreement, the Transaction Account Agreement, the Transaction Account and the Subscription Agreement, and
- (c) against the Trustee arising under the Trust Agreement,

to the Trustee to secure the Trustee Claim under the Trust Agreement. The Trustee Claim entitles the Trustee to demand that all obligations of the Issuer under the Notes be fulfilled, as set out in Appendix A to these Terms and Conditions.

3.2 Noteholder Collateral

In addition to the Trustee Collateral, the Issuer will on the Issue Date grant a Second Pledge for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Lead Manager as initial holder of the Notes to secure the Issuer's obligations under such Note pursuant to the Noteholder Security Agreement between the Issuer, the Trustee and the Lead Manager. The text of the Noteholder Security Agreement is attached as Appendix D to these Terms and Conditions and constitutes an integral part of these Terms and Conditions.

The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other. The First Pledge in respect of any Certificate under the Trust Agreement shall rank senior to all Second Pledges in respect of such Certificate created by the Noteholder Security Agreement. The Second Pledges in respect of any Certificate may only be exercised if:

- (a) the First Pledge in favour of the Trustee in respect of such Certificate no longer validly exists, or
- (b) the Trustee has waived the First Pledge or,
- (c) no Trustee is appointed in accordance with these Terms and Conditions.

The Second Pledges will be accessory (*akzessorisch*) to the Notes and, therefore, upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement.

3.3 Benefit of Collateral

Notwithstanding the Trustee Collateral and/or the Noteholder Collateral, the amount of principal of and, due to potential principal reductions, interest on, the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Obligations and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with these Terms and Conditions, which may be reduced by such Realised Losses, shall have the benefit of the Trustee Collateral and/or the Noteholder Collateral.

4 Reference Pool

- 4.1** The payment of principal of and, due to potential principal reductions, interest on the Notes is conditional upon the performance of the Reference Pool and the Reference Obligations as set out in Section 13 (*Loss Allocation*), Section 14 (*Late Recoveries*) and Section 15 (*Unjustified Loss Allocation*).
- 4.2** The Reference Pool is constituted by the Reference Obligations which must comply with the Reference Pool Provisions set out in Appendix B attached to these Terms and Conditions for a Loss Allocation to occur in respect of such Reference Obligations. The Reference Pool Provisions constitute an integral part of these Terms and Conditions.
- 4.3** During the Replenishment Period, the Reference Pool is subject to Replenishment in accordance with Provision 5 (*Replenishment*) of the Reference Pool Provisions.

5 Trustee

5.1 Trust Agreement

For the benefit of the Transaction Creditors, the Issuer has entered into the Trust Agreement dated 18 July 2006. The text of the Trust Agreement (excluding the Schedules thereto) is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions.

5.2 Obligation to Maintain a Trustee

As long as any Notes are outstanding the Issuer shall ensure that a trustee is appointed at all times in accordance with the Trust Agreement who has undertaken substantially the same functions and obligations as the Trustee pursuant to the Notes, including the Terms and Conditions and the Trust Agreement.

6 Payments

6.1 General

Payments in respect of the Notes shall be made through the Principal Paying Agent by wire transfer of same day funds to, or to the order of, Euroclear and Clearstream, Luxembourg, as relevant, for credit to the accounts held by the relevant Euroclear Participants and Clearstream, Luxembourg Participants for subsequent transfer to the Noteholders.

On or before the Issue Date, the Issuer will appoint the Principal Paying Agent to arrange for the payments to be made under the Notes.

6.2 Payments of Interest on Temporary Global Notes

Payments of interest in respect of any Notes represented by a Temporary Global Note shall be made through the Principal Paying Agent to Euroclear and Clearstream, Luxembourg, as relevant, for credit to the accounts held by the relevant Euroclear Participants and Clearstream, Luxembourg Participants for subsequent transfer to the Noteholders upon due certification as provided in Section 1.5 (*Notes - Exchange of Temporary Global Notes*).

6.3 Discharge

All payments in respect of any Note made by or on behalf of the Issuer to the relevant Clearing System shall discharge the liability of the Issuer under such Note to the extent of the sums so paid.

The Issuer and the Principal Paying Agent may call and, except in the case of manifest error, shall be at liberty to accept and place full reliance on as sufficient evidence thereof, a certificate or letter of confirmation issued on behalf of the relevant Clearing System or any form of record made by any of them to the effect that at any particular time or throughout any particular period any particular person is, was, or will be shown in the records as a Noteholder of a particular Note.

6.4 Non-Business Days

If the date for any payment in respect of any Note is not a Business Day, such payment shall not be made until the next following day which is a Business Day unless it would thereby fall into the next calendar month, in which case the payment shall be made on the immediately preceding Business Day.

6.5 Deferral

Without prejudice to Section 7 (*Payments of Interest*) of these Terms and Conditions, any Loss Allocation to the Notes or redemption of the Notes may be deferred in accordance with Section 12 (*Deferred Redemption*) or Clause 9 (*Loss Allocation Procedure*) of the Trust Agreement.

7 Payments of Interest

7.1 Accrual Basis

Each Note shall bear interest on its Note Principal Amount from (and including) the Issue Date to (but excluding) the day on which such Note has been definitively (i.e., after allocation of Late Recoveries in accordance with Section 14 (*Late Recoveries*) and after Unjustified Loss Allocation in accordance with Section 15 (*Unjustified Loss Allocation*)) redeemed in full or reduced to €1 by allocation of Realised Losses pursuant to the Loss Allocation. For the avoidance of doubt, if the Note Principal Amount of a Note is reinstated above €1 pursuant to Section 14 (*Late Recoveries*) and/or Section 15 (*Unjustified Loss Allocation*) such Note shall bear interest starting from (and including) the date of such reinstatement in accordance with the foregoing sentence.

7.2 Payment Dates

Without prejudice to Section 16 (*Taxes*), payments of the relevant Interest Amount in respect of the Notes by the Issuer to the Noteholders shall become due and payable quarterly in arrear, on each Payment Date.

7.3 Interest Amount

The Interest Amount shall be calculated by applying the Interest Rate for the relevant Interest Accrual Period to the Note Principal Amount outstanding as at the immediately preceding Payment Date or (in the case of the first Payment Date) the Issue Date, and multiplying the result by the actual number of days in the relevant Interest Accrual Period divided by 360, and rounding the result to the nearest €0.01 (with €0.005 being rounded upwards).

7.4 Interest Rates

The interest rate payable on the Notes for each Interest Accrual Period shall be:

- (a) in the case of the Class A+ Notes, EURIBOR plus 0.38% per annum,
- (b) in the case of the Class A Notes, EURIBOR plus 0.38% per annum,
- (c) in the case of the Class B Notes, EURIBOR plus 0.60% per annum,
- (d) in the case of the Class C Notes, EURIBOR plus 0.90% per annum,
- (e) in the case of the Class D Notes, EURIBOR plus 1.90% per annum, and
- (f) in the case of the Class E Notes, EURIBOR plus 4.00% per annum,

provided that from (and including) the occurrence of (i) an Automatic Termination Event due to the termination of the Bank Swap for Serious Cause or Insolvency or (ii) a Bank Swap Termination, the interest rate payable on the Notes shall be EURIBOR only.

7.5 Determinations; Notifications

On each EURIBOR Determination Date each Interest Amount, the aggregate Interest Amount of all Notes of each Class and each Interest Rate in each case for the immediately following Interest Accrual Period shall be determined by the Principal Paying Agent and notified, together with the Payment Date immediately following such Interest Accrual Period, by the Principal Paying Agent to the Bank,

and for as long as the Notes are listed on the Irish Stock Exchange to the Irish Paying Agent and the Irish Stock Exchange not later than on the first day of such Interest Accrual Period.

8 Redemption – Scheduled Maturity Date

Subject to Section 12 (*Deferred Redemption*), the Notes shall be redeemed on the Scheduled Maturity Date at their respective Note Principal Amount as at the Scheduled Maturity Date, unless redeemed earlier in accordance with Section 9 (*Redemption – Amortisation of the Notes*), Section 10 (*Termination for Default*), or Section 11 (*Early Redemption by the Issuer*).

9 Redemption – Amortisation of the Notes

9.1 General

The redemption amount allocated to each Class of Notes will be, in each case, calculated after the reduction of the Class Principal Amount(s) by allocation of Realised Losses pursuant to Section 13 (*Loss Allocation*), if any, and the increase of the Class Principal Amount(s) as a result of (a) the allocation of Late Recoveries pursuant to Section 14 (*Late Recoveries*) and/or (b) the Unjustified Loss Allocation pursuant to Section 15 (*Unjustified Loss Allocation*), if any, in each case on the relevant Payment Date.

Each Note of a particular Class shall be redeemed on each Payment Date in an amount equal to the redemption amount allocated to such Class in respect of such Payment Date in accordance with this Section 9 (*Redemption – Amortisation of the Notes*) divided by the number of Notes in such Class.

9.2 Redemption of the Notes

The Notes shall be redeemed on a Payment Date as follows:

- (a) the Class A+ Notes shall be redeemed in an amount equal to:
 - (i) if the Payment Date occurs during the Replenishment Period, the Replenishment Pool Reduction, or
 - (ii) if the Payment Date occurs after the Replenishment Period, the Pool Reduction (including, on the first Payment Date after the end of the Replenishment Period, any Replenishment Capacity which has not already been allocated to the Notes during the Replenishment Period)multiplied in each case by the A+ Reduction Factor; and
- (b) after the Class A+ Notes have been redeemed in full, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes in this order sequentially, shall be redeemed in an amount equal to the Replenishment Pool Reduction or the Pool Reduction (as applicable);

provided that if the Replenishment Pool Reduction or the Pool Reduction (as applicable), multiplied in the case of Section 9.2(a) above (*Redemption – Amortisation of the Notes – Redemption of the Notes*) by the A+ Reduction Factor, exceeds the Class Principal Amount of the relevant Class of Notes, (aa) such Class

shall be redeemed only in the amount of such Class Principal Amount and (bb) the amount of such excess, multiplied by the A+ Increase Factor if such excess results from the application of Section 9.2(a) above (*Redemption – Amortisation of the Notes – Redemption of the Notes*), shall constitute the Replenishment Pool Reduction or the Pool Reduction (as applicable) for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in Section 9.2(a) and Section 9.2(b) above (*Redemption – Amortisation of the Notes – Redemption of the Notes*).

10 Termination for Default

10.1 Automatic Termination Event, Default Event

- (a) The Issuer shall redeem the Notes upon the occurrence of an Automatic Termination Event.
- (b) In addition, any Noteholder may declare due the Notes held by it by delivery of a written notice to the Issuer with a copy to the Trustee if a Default Event with respect to the relevant Note has occurred and has not been remedied prior to the delivery of such notice.

10.2 Method and Amount

Upon the occurrence of an Automatic Termination Event or if any Noteholder exercises its right pursuant to Section 10.1(b) (*Termination for Default – Automatic Termination Event, Default Event*) the Issuer shall, subject to Section 12.2 (*Deferred Redemption – Deferred Redemption upon occurrence of an Automatic Termination Event or a Default Event*):

- (a) redeem all of the Notes (but not some only) within 10 Business Days following the Termination Date in an amount equal to their respective Note Principal Amounts as at the Termination Date as if such date of redemption was a Payment Date, and
- (b) pay accrued interest (at the rate determined in accordance with Section 7.4 (*Payments of Interest – Interest Rates*), but with respect to EURIBOR based on the rate determined on the last preceding EURIBOR Determination Date) on each Note, (i) for the period commencing on (and including) the Payment Date immediately preceding the Termination Date and ending on (but excluding) the Termination Date, in respect of the Note Principal Amount outstanding as at the Payment Date immediately preceding the Termination Date and, (ii) for the period commencing on (and including) the Termination Date and ending on (but excluding) the date on which all of the Notes are redeemed pursuant to (a) above in respect of the Note Principal Amount outstanding as at the Termination Date.

11 Early Redemption by the Issuer

On the Payment Date on which a Bank Swap Termination or a Certificate Termination becomes effective, the Issuer shall, subject to Section 12 (*Deferred Redemption*), redeem all the Notes (but not some only), in each case, at their respective Note Principal Amounts as at such day.

A Bank Swap Termination becomes effective, in the case of Section 11(i) to (vi) below (*Early Redemption by the Issuer*), on the Payment Date as of which the Bank Swap is terminated by the Bank:

- (i) upon the occurrence of a Counterparty Regulatory Event;
- (ii) upon the occurrence of an Illegality Event;
- (iii) upon the occurrence of a Tax Event and / or a Counterparty Tax Event;
- (iv) upon the occurrence of a Bank Regulatory Event;
- (v) if the aggregate Outstanding Nominal Amount of the Reference Obligations has been reduced to less than 10% of the Initial Aggregate Principal Balance;
- (vi) on the Payment Date falling in July 2011.

A Certificate Termination becomes effective on the Payment Date as at which the Counterparty exercises its prepayment option under the Certificates:

- (a) upon the occurrence of a Counterparty Regulatory Event; or
- (b) upon the occurrence of a Counterparty Tax Event.

12 Deferred Redemption

12.1 General

If, in the event of:

- (a) a redemption in accordance with Section 8 (*Redemption – Scheduled Maturity Date*)
- (b) or an Early Redemption in accordance with Section 11 (*Early Redemption by the Issuer*),

there is a Deferred Amount exceeding the Outstanding Threshold Amount, the obligation of the Issuer to redeem the Notes shall be subject to the following:

- (i) the redemption of those Notes, to which such Deferred Amount would be allocated pursuant to the Loss Allocation if it were a Realised Loss, shall be deferred in the appropriate amount such that the aggregate outstanding Note Principal Amount of the Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) is in an amount equal to the Deferred Amount minus the Outstanding Threshold Amount as at the end of the Collection Period immediately preceding the Scheduled Maturity Date or the Early Redemption Date (as applicable);
- (ii) if one or more Classes of Notes remain outstanding pursuant to paragraph (i) above, these Terms and Conditions shall continue to apply to such Classes of Notes, provided that on each Payment Date following the Scheduled Maturity Date or the Early Redemption Date (as applicable), such Classes of Notes shall be redeemed sequentially pursuant to the order set out in Section 9.2 (*Redemption – Amortisation of the Notes – Redemption of the Notes*) in an amount equal to the Deferred Redemption Amount, provided that:

- A. such Deferred Redemption Amount shall in the case of the Class A+ Notes be multiplied by the A+ Reduction Factor;
 - B. such Deferred Redemption Amount shall in each case, be divided by the number of Notes of such Class and rounded to the nearest € 0.01 (with € 0.005 being rounded upwards); and
 - C. if such Deferred Redemption Amount, multiplied in the case of the Class A+ Notes by the A+ Reduction Factor, exceeds the Class Principal Amount (as reduced as a result of Loss Allocation and/or increased as a result of any Late Recoveries and/or Unjustified Loss Allocation) of the relevant Class of Notes (aa) such Class shall be redeemed only in the amount of such Class Principal Amount and (bb) the excess, multiplied, if such excess results from the application of Section 12.1(ii)A. above (*Deferred Redemption – General*) in respect of the Class A+ Notes, by the A+ Increase Factor, shall constitute the "excess" for the purposes of calculating the redemption amount for the Class of Notes next to be redeemed pursuant to the order set out in Section 9.2 (*Redemption – Amortisation of the Notes – Redemption of the Notes*);
- (iii) if (aa) one or more Classes of Notes remain outstanding pursuant to paragraphs (i) to (ii) above and (bb) an Automatic Termination Event occurs after the Scheduled Maturity Date or the Early Redemption Date (as applicable), the Notes shall be redeemed in accordance with Section 12.2 (*Deferred Redemption – Deferred Redemption upon occurrence of an Automatic Termination Event or a Default Event*);
- (iv) if 70 calendar days before the Legal Maturity Date or the Appraised Loss Payment Date (as applicable) one or more Classes of Notes remain outstanding pursuant to paragraphs (i) to (ii) above, the Issuer shall:
- A. procure that Appraised Values and Appraised Losses in respect of the Deferred Amount referred to in (i) above are determined by the 5th calendar day prior to the Legal Maturity Date or the Appraised Loss Payment Date (as applicable)
 - B. procure that not later than on the Legal Maturity Date or the Appraised Loss Payment Date (as applicable) each Appraised Loss so determined shall be allocated pursuant to the Loss Allocation as if it were a Realised Loss (the date on which any such Appraised Loss is so allocated being, for the purposes of Loss Allocation, a Payment Date), and
 - C. redeem the remaining outstanding Notes at their Note Principal Amounts on the Legal Maturity Date or the Appraised Loss Payment Date (as applicable).
- (v) the Trustee Duties under the Trust Agreement will continue in respect of the Notes until the Legal Maturity Date or the Appraised Loss Payment Date (as applicable) on which the remaining outstanding Notes are redeemed in accordance with the foregoing.

12.2 Deferred Redemption upon occurrence of an Automatic Termination Event or a Default Event

If, in the event of an early redemption in accordance with Section 10.1 (*Termination for Default – Automatic Termination Event, Default Event*) there is a Deferred Amount exceeding the Outstanding Threshold Amount as at the end of the Collection Period immediately preceding the Termination Date:

- (a) Section 12.1(i) (*Deferred Redemption – General*) shall apply *mutatis mutandis*, save that references to "Scheduled Maturity Date" or "Early Redemption Date" shall be read as references to "Termination Date";
- (b) the Issuer shall procure that:
 - (i) Appraised Values and Appraised Losses in respect of the Deferred Amount referred to in Section 12.2(a) (*Deferred Redemption – Deferred Redemption upon occurrence of an Automatic Termination Event or a Default Event*) above are determined within 65 calendar days of the Termination Date, in accordance with the Trust Agreement;
 - (ii) not later than on the Deferred Payment Date:
 - A. each Appraised Loss so determined shall be allocated pursuant to the Loss Allocation as if it were a Realised Loss (the date on which any such Appraised Loss is so allocated being, for the purposes of Loss Allocation, a Payment Date) and
 - B. the Issuer shall immediately (*unverzüglich*) redeem the remaining outstanding Notes at the then outstanding Note Principal Amounts following such Loss Allocation together with interest accrued thereon in accordance with Section 10.2(b) (*Termination for Default – Method and Amount*); and
 - (iii) the Trustee Duties under the Trust Agreement will continue in respect of the Notes until the Deferred Payment Date.

13 Loss Allocation

13.1 Determinations

Any Realised Losses in respect of the Collection Period immediately preceding a Payment Date and their allocation in accordance with Section 13.3 (*Loss Allocation – Order*) on a Payment Date shall be determined by the Bank not later than on the Relevant Report Date and such determination shall be verified by the Trustee in accordance with these Terms and Conditions and the Trust Agreement (if applicable, following the appointment of an Expert pursuant to Clause 9 (*Loss Allocation Procedure*) and completion of the procedure set out in Clause 12 (*Expert for the Procedures*) of the Trust Agreement). Any such determination shall, in the absence of manifest error, be final and binding.

The Trustee is obliged under the Trust Agreement duly to protect the interests of the Transaction Creditors in accordance with Clause 2 (*Position of the Trustee*) of the Trust Agreement.

13.2 Conditions to Loss Allocation

(a) General

Realised Losses will only be allocated if:

- (i) the conditions to Loss Allocation as set out in Provision 6 (*Conditions for Loss Allocation*) of the Reference Pool Provisions are complied with,
- (ii) a Credit Event Notice has been given in accordance with Section 13.2(b) (*Loss Allocation – Conditions to Loss Allocation – Credit Event Notice*) below,
- (iii) a written Allocation Notice and, if applicable, an Adjustment Notice has been given to the Trustee and the Counterparty in accordance with Section 13.2(c) (*Loss Allocation – Conditions to Loss Allocation – Allocation Notice*) or Section 13.2(d) (*Loss Allocation – Conditions to Loss Allocation – Adjustment Notice*), as applicable, making reference to and annexing a copy of the corresponding Credit Event Notice,
- (iv) subject to Clause 10 (*Reference Obligation Removal Procedure*) of the Trust Agreement and Provision 6.5 and 6.6 (*Conditions for Loss Allocation*) of the Reference Pool Provisions, the Realised Loss is not attributable to:
 - A. a Non-complying Reference Obligation, unless the Trustee has issued a Confirmation of Compliance,
 - B. a Non-qualifying Reference Obligation, or
 - C. a Maturity Overrun Amount.
- (v) a Trustee has been appointed and is acting pursuant to the Trust Agreement, provided that verification of Appraised Losses (if any) determined by relying on Appraised Values assessed by a Value Expert is not required, and
- (vi) the Bank is not in breach of its obligations under the Trust Agreement if such breach would affect the exercise of the Trustee's rights and obligations under the Trust Agreement to the detriment of the Transaction Creditors.

(b) Credit Event Notice

- (i) Pursuant to the Trust Agreement, a Credit Event Notice in respect of a Reference Obligation must be given by the Bank to the Trustee and the Counterparty as soon as practicable, but not later than 90 calendar days, after the relevant Bank Entity has become aware of the occurrence of a Credit Event.

- (ii) A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred and was not remedied and specify the date when the Credit Event occurred and the Reference Obligation in respect of which the Credit Event occurred.
- (iii) A Credit Event Notice must be signed by two A Signatories of the Bank and may be delivered between 9:00 a.m. and 4:00 p.m. (Frankfurt time) on any day which is a Frankfurt Business Day by mail, telefax or e-mail in accordance with the Trust Agreement (in particular, Clause 16.1(f) (*Undertakings of the Bank and the Issuer*) and Clause 30 (*Communications*) of the Trust Agreement). If a Credit Event Notice is delivered to the Trustee after 4:00 p.m. (Frankfurt time) on a day which is a Frankfurt Business Day or at any time on a day which is not a Frankfurt Business Day, such Credit Event Notice shall be deemed delivered on the immediately following day which is a Frankfurt Business Day.

(c) Allocation Notice

Subject to Section 13.2(d) (*Loss Allocation – Conditions to Loss Allocation – Adjustment Notice*) below, the Allocation Notice shall include:

- (i) a statement to the effect that the relevant Lender or a Servicer has completed the workout of the Defaulted Reference Obligation in accordance with the Servicing Standards and, to the extent applicable to the method of workout employed:
 - A.** any proceeds of that workout (or, in case of Syndicated Reference Obligations, the relevant parts thereof) that are expected to be recovered by the relevant Lender in respect of the relevant Defaulted Reference Obligation and allocable to its principal amount have been recovered by that Lender or a Servicer on its behalf, and
 - B.** any loss which is to be realised as a result of that workout has been determined,
- (ii) (with respect to the last Collection Period only) the Appraised Loss and/or Appraised Value and a statement to the effect that no amounts in excess of the Appraised Value are expected to be recovered in respect of such Defaulted Reference Obligation by the relevant Lender,
- (iii) the date when the last outstanding amounts from the relevant workout procedures were received or are expected to be received and
- (iv) the amount of the Realised Losses with respect to such Defaulted Reference Obligation which will then become a Liquidated Reference Obligation.

Pursuant to the Trust Agreement, an Allocation Notice must be given by the Bank as soon as practicable but not later than 30 calendar days after the

last outstanding amounts from the workout procedures were received or the Bank has determined that no further amounts would be received.

An Allocation Notice may be delivered between 9:00 a.m. and 4:00 p.m. (Frankfurt time) on any day which is a Frankfurt Business Day by mail, telefax or e-mail in accordance with the Trust Agreement (in particular, Clause 16.1(f) (*Undertakings of the Bank and the Issuer*) and Clause 30 (*Communications*) of the Trust Agreement). If an Allocation Notice is delivered to the Trustee and the Counterparty after 4:00 p.m. (Frankfurt time) on a day which is a Frankfurt Business Day or at any time on a day which is not a Frankfurt Business Day, such Allocation Notice shall be deemed delivered on the immediately following day which is a Frankfurt Business Day.

(d) Adjustment Notice

(i) General

Pursuant to the Trust Agreement with respect to a Syndicated Reference Obligation which has become a Defaulted Reference Obligation, the Bank may give an Adjustment Notice, if a Syndicate Payment Forfeiture has occurred.

An Adjustment Notice shall include:

- A.** a statement to the effect that a Syndicate Payment Forfeiture has occurred with regard to a Defaulted Reference Obligation, and
- B.** the Syndicate Write-down Amount.

(ii) Adjustment Notice prior to Allocation Notice

If the Bank has given an Adjustment Notice to the Trustee and the Counterparty prior to giving an Allocation Notice, the Allocation Notice shall include:

- A.** a statement to the effect that the relevant Servicer has completed the workout of the relevant Reference Obligation in accordance with the Servicing Standards and, to the extent applicable to the method of workout employed, (aa) any proceeds of that workout that have been, or are expected to be, recovered by the relevant Lender in respect of the relevant Reference Obligation and allocable to its principal amount in accordance with the Allocation Rule, and (bb) any loss which is to be realised as a result of that workout has been determined,
- B.** the date when the last outstanding amounts from the relevant workout procedures were received or are expected to be received, and
- C.** the amount of the Realised Losses to be allocated to the Syndicate Write-down Amount.

(iii) Appraisal following Adjustment Notice

Pursuant to the Trust Agreement, the Trustee shall procure that following the giving of an Adjustment Notice by the Bank, the Appraised Value and Appraised Loss for the relevant Defaulted Reference Obligation in respect of which a Syndicate Payment Forfeiture has occurred are determined by the Adjustment Appraisal Date in accordance with the Trust Agreement, provided no Allocation Notice has been given by the 65th calendar day prior to the Adjustment Appraisal Date.

An Appraised Loss so determined shall be allocated pursuant to the Loss Allocation not later than on the Adjustment Appraisal Allocation Date as if it were a Realised Loss (the date on which any such Appraised Loss is so allocated being, for the purposes of Loss Allocation, a Payment Date).

(e) Subsequent Compliance with Conditions to Loss Allocation

If a condition to Loss Allocation is not complied with on the relevant Payment Date immediately following the determination of the relevant Realised Loss, Realised Losses may be allocated pursuant to the Loss Allocation on the Payment Date immediately after the date on which such failure to fulfil the conditions to Loss Allocation has been remedied but only to the extent that no such failure has resulted in or increased any such Realised Loss.

If any such failure is in relation to one or some Reference Obligations only (including a failure to meet reporting requirements in respect of a portion of a Reference Obligations), the Loss Allocation in respect of all other Reference Obligations shall not be affected by such failure.

13.3 Order

Realised Losses shall be allocated on each Payment Date and, if applicable, the Deferred Payment Date, immediately following the satisfaction of Section 13.2 (*Loss Allocation – Conditions to Loss Allocation*), as follows:

first, to reduce the Outstanding Threshold Amount,

second, after the Outstanding Threshold Amount has been reduced to zero, to reduce equally the Note Principal Amounts of the Class E Notes,

third, after the Note Principal Amount of each Class E Note has been reduced to € 1, to reduce equally the Note Principal Amounts of the Class D Notes,

fourth, after the Note Principal Amount of each Class D Note has been reduced to € 1, to reduce equally the Note Principal Amounts of the Class C Notes,

fifth, after the Note Principal Amount of each Class C Note has been reduced to € 1, to reduce equally the Note Principal Amounts of the Class B Notes,

sixth, after the Note Principal Amount of each Class B Note has been reduced to € 1, to reduce equally the Note Principal Amounts of the Class A Notes,

seventh, after the Note Principal Amount of each Class A Note has been reduced to €1, to reduce equally the Note Principal Amounts of the Class A+ Notes to €1, provided that only the product of (i) the Realised Losses (not allocated to the subordinated Classes of Notes) and (ii) the A+ Reduction Factor shall be allocated to reduce the Class A+ Notes on such Payment Date or Deferred Payment Date (as applicable).

If, following the redemption of Notes in accordance with Section 9 (*Redemption – Amortisation of the Notes*), Realised Losses would be allocable to such Notes in excess of the relevant aggregate Class Principal Amounts, such Realised Losses will only be allocated to the Notes to the extent of the then current aggregate Class Principal Amounts, provided that, for the avoidance of doubt, the Note Principal Amount of a Note shall not be reduced below €1 by such Loss Allocation.

13.4 Interaction with other Notes

The allocation of Realised Losses to any Note shall not be affected by the invalidity or unenforceability of any other Note ranking equal or junior to such Note for the purposes of Loss Allocation. If any Note remains outstanding after any other Note, ranking equal or junior to such outstanding Note for the purposes of the Loss Allocation, has, for any reason, been redeemed, other than in accordance with these Terms and Conditions, in full or in part (as opposed to any reduction of the principal amount by the Loss Allocation), each such redeemed Note shall be deemed to remain outstanding for the purposes of the Loss Allocation in respect of such Note.

14 Late Recoveries

14.1 Allocation

Subject to Sections 14.2 (*Late Recoveries – Further Conditions*) and 14.3 (*Late Recoveries – Conditions Precedent*) of these Terms and Conditions, any Late Recovery a Lender receives on a Liquidated Reference Obligation during a Collection Period and which is allocable to a Liquidated Reference Obligation in respect of which Realised Losses had been allocated to the Notes and/or the Outstanding Threshold Amount, shall be allocated on the Payment Date following such receipt (after the Loss Allocation on such date in accordance with Section 13.3 (*Loss Allocation – Order*)) to reverse previous Loss Allocations in an order which is the reverse of the order of the Loss Allocation set forth in Section 13.3 (*Loss Allocation – Order*). Accordingly, the amount of such Late Recoveries shall be allocated, in such reverse order, to increase the Note Principal Amounts of the Notes of the relevant Class or Classes and/or the Outstanding Threshold Amount, provided that, in the case of the Class A+ Notes, such Late Recoveries shall be allocated only as multiplied by the A+ Reduction Factor.

14.2 Further Conditions

On the Payment Date immediately following the Collection Period during which a Late Recovery has been received, the Issuer shall, subject to Section 14.3 (*Late Recoveries – Conditions Precedent*) of these Terms and Conditions, in respect of each Payment Date since the Payment Date on which the related Loss Allocation was made, pay an amount equal to the excess of:

- (a) the amount of interest which would have been payable on any Class of Notes on any such Payment Date if the Realised Loss corresponding to such Loss Allocation had been reduced by the amount of such Late Recoveries over
- (b) the amount of interest actually paid on each relevant Class of Notes.

Noteholders shall have no rights with respect to any Late Recoveries or any interest as determined pursuant to this Section 14.2 (*Late Recoveries – Further Conditions*) hereof after the final redemption of their Notes.

14.3 Conditions Precedent

The Issuer will allocate Late Recoveries in accordance with this Section 14 (*Late Recoveries*) only, if:

- (a) such Late Recoveries have been reported in accordance with Clause 7 (*Reports; Documents; Information*) of the Trust Agreement and Section 17 (*Investor Notifications*) of these Terms and Conditions, and
- (b) the Payment Condition is complied with.

14.4 Collections; Limitation

- (a) Late Recoveries shall constitute Collections on the relevant Reference Obligations.
- (b) The cumulative amount of all Late Recoveries with respect to any single Liquidated Reference Obligation shall be limited to the amount of Realised Loss in respect of such Liquidated Reference Obligation allocated to the Notes and/or the Outstanding Threshold Amount (in the case of Loss Allocation to the Class A+ Notes, such Realised Loss shall be taken into account without multiplication by the A+ Reduction Factor) pursuant to the Loss Allocation and the excess amount shall be deemed not to be a Late Recovery.

15 Unjustified Loss Allocation

15.1 Reversal of Realised Losses

On any Payment Date following the determination of an Unjustified Loss Allocation, but subject to Section 15.2 (*Unjustified Loss Allocation – Conditions Precedent*) below:

- (a) the amount of such Unjustified Loss Allocation shall be allocated pursuant to Section 14.1 (*Late Recoveries – Allocation*) in the same way as Late Recoveries, and

- (b) the Issuer shall in respect of each Payment Date since the Payment Date on which the Unjustified Loss Allocation was originally made, pay an amount equal to:
- (i) the excess of:
- A. the amount of interest which would have been payable on any Class of Notes on any such Payment Date if such Unjustified Loss Allocation had not occurred, over
 - B. the amount of interest actually paid on each relevant Class of Notes,
- together with
- (ii) a margin of 4 per cent. per annum on the amount by which the Note Principal Amounts of each relevant Class of Notes are increased in accordance with Section 14.1 (*Late Recoveries – Allocation*) as a result of such Unjustified Loss Allocation.

Noteholders shall have no rights with respect to any Unjustified Loss Allocation or any interest or margin as determined pursuant to this Section 15.1 (*Unjustified Loss Allocation – Reversal of Realised Losses*) hereof after the final redemption of their Notes.

15.2 Conditions Precedent

Section 14.3 (*Late Recoveries – Conditions Precedent*) applies *mutatis mutandis* to the Unjustified Loss Allocation.

15.3 Collections

Any payment or other reduction of the principal amount of a Reference Obligation for which an Unjustified Loss Allocation has been determined shall constitute a Collection on such Reference Obligation.

16 Taxes

Payments in respect of the Notes shall only be made after deduction and withholding of current or future taxes under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law. The Issuer shall account for the deducted or withheld taxes with the competent government agencies.

None of the Issuer, any Bank Entity or the Counterparty is obliged to pay any amounts as compensation for deduction or withholding of taxes in respect of payments on the Notes.

If on any Payment Date any withholding or deduction on account of taxes is imposed with respect to payments by the Counterparty under the Certificates and/or the Bank Swap, the amount payable by the Issuer under any Note of a particular Class on such Payment Date shall be reduced by the amount of such withholding or deduction made with respect to the corresponding Certificates divided by the number of Notes of the Class of Notes relating to such Certificates.

17 Investor Notifications

17.1 Regular

With respect to each Payment Date, the Issuer, or the Principal Paying Agent on its behalf, shall, not later than the Business Day preceding the Payment Date, provide:

- (a) the holders of Notes of each Class in accordance with Section 18 (*Form of Notices*),
- (b) each of the Rating Agencies, and
- (c) as long as any Class of Notes is listed on the Irish Stock Exchange, the Irish Stock Exchange

with the following information prepared by the Bank and verified by the Trustee pursuant to the Trust Agreement and make such information available upon request at the office of the Irish Paying Agent:

- (i) the Note Principal Amount of each Note of a Class on which interest shall be paid on such Payment Date;
- (ii) the applicable Interest Accrual Period, the Interest Rate and the Interest Amount to be paid on each Note of a Class on such Payment Date;
- (iii) the amount of principal to be paid on each Note of a Class on such Payment Date;
- (iv) the aggregate Outstanding Nominal Amount of the Reference Obligations added to the Reference Pool pursuant to Replenishment or removed from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions, in each case during the Related Collection Period;
- (v) allocation of Realised Losses, if any, to the Notes of each Class and the Note Principal Amount of each Note of such Class outstanding after such allocation as from such Payment Date;
- (vi) allocation of Realised Losses, if any, to the Outstanding Threshold Amount on such Payment Date and the Outstanding Threshold Amount following such allocation;
- (vii) amounts and distributions of (aa) any Late Recoveries and (bb) any Collections in respect of the Reference Obligations for which Unjustified Loss Allocation has been determined and consequently re-instatement of the Note Principal Amounts of each Note of such Class and/or the Outstanding Threshold Amount on account of previous Unjustified Loss Allocations and/or Late Recoveries;
- (viii) in the event of final payment on such Class, the fact that such is the final payment;
- (ix) the aggregate Outstanding Nominal Amounts as of the beginning and as of the end of the Related Collection Period;
- (x) during the Replenishment Period the current Replenishment Capacity and any changes to it, and the Replenishment Pool Reduction;

- (xi) Reference Obligation List (in the form set out in Appendix F to the Terms and Conditions), including, for the avoidance of doubt, details on the status of repayments and amounts outstanding on each Reference Obligation;
- (xii) stratification tables profiling the Reference Pool in agreed form;
- (xiii) as applicable and with regard to each relevant Reference Obligation, information on the occurrence and / or amounts of Credit Events, Defaulted Reference Obligations, Syndicate Payment Forfeiture Removal Amounts, Maturity Overrun Amounts, Write-down Amounts, Non-complying Reference Obligations, Non-qualifying Reference Obligations and Reference Obligations transferred in accordance with Provision 8 (*Transfers*) of the Reference Pool Provisions;
- (xiv) the relevant Exchange Rate applicable to the Non-€ Reference Obligations denominated in the same currency for each such Non-€ Reference Obligation and the aggregate of the Outstanding € Equivalent Amounts of all Non-€ Reference Obligations denominated in the same currency; and
- (xv) the Re-sets made since the previous Re-set Date and the Re-set Information.

17.2 Upon Early Redemption

In connection with an early redemption pursuant to Section 10 (*Termination for Default*) or Section 11 (*Early Redemption by the Issuer*), the Issuer, or the Principal Paying Agent on its behalf, shall, not later than one Frankfurt and London Business Day prior to the Actual Date of Redemption, give an Early Redemption Notification to:

- (a) the Noteholders in accordance with Section 18 (*Form of Notices*),
- (b) each of the Rating Agencies and
- (c) provided that any Notes are then listed on the Irish Stock Exchange, the Irish Stock Exchange.

18 Form of Notices

All notices to the Noteholders regarding the Notes shall be (i) published in a leading daily newspaper having general circulation in Ireland (which is expected to be the "*Irish Times*"), or, if this is not practicable, in another leading English language newspaper having supra-regional circulation in Ireland if and to the extent a publication in such form is required by applicable legal provisions and (ii) either (A) delivered to Euroclear and Clearstream, Luxembourg for communication by it to the Noteholders or (B) made available for a period of not less than 30 calendar days on a web site the address of which has been notified to the Noteholders in the manner set out in (i) and (ii)(A) and to the Irish Paying Agent on or before the date on which the relevant notice is given in accordance with (ii)(B). Any notice referred to under (i) above shall be deemed to have been given to all Noteholders on the date of such publication. Any notice referred to under (ii)(A) above shall be deemed to have been given to all Noteholders on the seventh calendar day after the day on which the said notice was delivered to Euroclear and Clearstream, Luxembourg. Any notice referred to under (ii)(B) above shall be deemed to have been given to all Noteholders on the day on which it is

made available on the web site, provided that if so made available after 4:00 p.m. (Frankfurt time) it shall be deemed to have been given on the immediately following calendar day.

For so long as any Notes are listed on the Irish Stock Exchange and the rules of that stock exchange so require, notices shall be forwarded to the companies announcement office of the Irish Stock Exchange no later than the date of dispatch of such notice to the Noteholders.

19 Agents

19.1 Appointment of Agents

- (a) The Issuer has appointed HSBC Bank plc, 8 Canada Square, London, E14 5HQ, United Kingdom, as the Principal Paying Agent.

The Principal Paying Agent (including any successor principal paying agent) shall act solely as agent for the Issuer and shall not have any agency or trustee relationship with the Noteholders.

- (b) The Issuer has appointed HSBC Institutional Trust Services (Ireland) Limited, HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Republic of Ireland, as the initial Irish Paying Agent.

The Irish Paying Agent shall act as paying agent between the Issuer and the holders of the Notes listed on the Irish Stock Exchange. The Irish Paying Agent shall, among others, make available documents and information as specified in these Terms and Conditions and deliver copies of the Prospectus and the published financial statements of the Issuer and the Bank upon request.

19.2 Replacement

- (a) Principal Paying Agent

The Issuer shall procure that for as long as any of the Notes are outstanding there shall always be a Principal Paying Agent to perform the functions assigned to it in the Transaction Documents.

The Issuer may with the prior written consent of the Counterparty, the Trustee and the Bank, by giving not less than 30 calendar days' notice to the Noteholders and the Principal Paying Agent, replace the Principal Paying Agent with regard to some or all of its functions by one or more other banks or other financial institutions which assume such functions.

If the short term rating of the Principal Paying Agent or an affiliate of the Principal Paying Agent, the rating of which was taken into account at the appointment of such Principal Paying Agent, in each case is withdrawn or falls below F1 by Fitch and A-1 by S&P, the Issuer or, if the Issuer fails to do so, the Trustee, shall within 30 calendar days upon becoming aware thereof terminate the appointment of the Principal Paying Agent by giving not less than 5 calendar days' prior notice to the Principal Paying Agent and appoint, with the prior written consent of the Counterparty, the Trustee (if applicable) and the Bank, another bank or financial institution as Principal Paying Agent provided that such successor Principal Paying Agent or any of its affiliates shall be rated at least F1 by Fitch and A-1 by S&P and

provided further that the appointment of a successor Principal Paying Agent becomes effective prior to the effective date of the termination of the replaced Principal Paying Agent.

(b) Irish Paying Agent

The Issuer shall procure that for as long as any of the Notes remain listed on the Irish Stock Exchange there shall always be an Irish Paying Agent.

The Issuer may with the prior written consent of the Counterparty, the Trustee and the Bank by giving not less than 30 calendar days' notice to the Noteholders, replace the Irish Paying Agent with regard to some or all of its functions by one or more other banks or other financial institutions which assume such functions.

19.3 Determinations Binding

All Interest Rates and Interest Amounts determined and other calculations and determinations made by the Principal Paying Agent for the purposes of the Transaction Documents shall, in the absence of manifest error, be final and binding.

20 Substitution of the Issuer

20.1 General

The Issuer may, without the consent of the Noteholders, at any time upon written request of the Bank and with the prior written consent of the Counterparty and the Trustee substitute in its place a New Issuer as debtor in respect of all obligations arising under or in connection with the Notes and the Transaction Documents, provided that:

- (a) the New Issuer shall be a newly formed single purpose company which has not carried on any previous business activities;
- (b) the New Issuer shall give substantially the same representations and agree to be bound by the same covenants as the Issuer;
- (c) a solvency certificate from each of the Issuer and the New Issuer dated the date of the proposed substitution confirming that it is solvent and will not become insolvent as a result of the substitution shall be delivered to the Trustee with a copy to the Bank, the Counterparty and the Senior Swap Counterparty;
- (d) the New Issuer assumes all rights, duties and obligations of the Issuer in respect of the Notes and under the Transaction Documents and the Trustee Collateral is, upon the Issuer's substitution, held by the Trustee to secure the obligations of the New Issuer under the Notes or, as applicable, the Trustee Claim in respect thereof;
- (e) the New Issuer has obtained all necessary authorisations, governmental and regulatory approvals and consents in the country in which it has its registered office to assume liability as principal debtor and all such approvals and consents are at the time of substitution in full force and effect and is in a position to fulfil all its obligations in respect of the Notes and the other Transaction Documents without discrimination against the

Noteholders in their entirety or other Transaction Creditors (as the case may be);

- (f) the New Issuer may pay in the currency required hereunder and without being obliged to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the New Issuer has its domicile or tax residence all amounts required for the fulfilment of the payment obligations arising under the Notes and the substitution shall not result in any withholding or deduction of taxes on the amounts payable under the Notes and/or Certificates which would not arise if there was no such substitution;
- (g) there shall have been delivered to Trustee, the Counterparty, the Bank and the Principal Paying Agent one legal opinion for each jurisdiction affected by the substitution of a law firm of recognised standing in a form satisfactory to such persons and to the effect that
 - (i) paragraphs (a) through (f) above have been satisfied and that no additional expenses or legal disadvantages of any kind arise for the Noteholders and the Counterparty from the substitution;
 - (ii) such substitution does not affect the validity and enforceability of the Trustee Collateral; and
 - (iii) the agreements and documents executed or entered into pursuant to paragraph (i) below are legal, valid and binding.
- (h) the substitution, in the professional judgement of the Trustee, shall not adversely affect the interests of the Transaction Creditors and the Counterparty and each Rating Agency has given a written confirmation that the substitution shall not adversely affect its rating of the Notes; and
- (i) the Issuer and the New Issuer enter into such agreements, execute such documents and comply with such other requirements as the Trustee considers necessary.

Upon fulfilment of the above conditions the New Issuer shall in every respect substitute the Issuer and the Issuer shall be released vis-à-vis the Noteholders from all its obligations as Issuer of the Notes and party to the Transaction Documents.

20.2 Notice of Substitution

The New Issuer shall give notice of the substitution to the Noteholders pursuant to Section 18 (*Form of Notices*) with a copy to the Irish Stock Exchange. Upon the substitution, the New Issuer shall prepare a supplement to the Prospectus in accordance with the rules of the Irish Stock Exchange and, with respect to such supplement, take all measures required by the rules of the Irish Stock Exchange.

20.3 Effects of Substitution

Upon the substitution, each reference to the Issuer in these Terms and Conditions shall from then on be deemed to be a reference to the New Issuer and any reference to the country in which the Issuer has its registered office, domicile or residency for tax purposes, as relevant, shall from then on be deemed to be a reference to the country in which the New Issuer has its registered office, domicile or residency for tax purposes, as relevant.

21 Miscellaneous

21.1 Presentation Period

The presentation period for a Global Note provided in § 801(1), sentence 1 of the German Civil Code (*Bürgerliches Gesetzbuch*) shall end five years after the date on which the last payment in respect of the Notes represented by such Global Note was due.

21.2 Replacement of Global Notes

If a Global Note is lost, stolen, damaged or destroyed, it may be replaced by the Issuer upon payment by the claimant of the costs arising in connection therewith. As a condition of replacement, the Issuer may require the fulfilment of certain conditions, the provision of proof regarding the existence of indemnification and/or the provision of adequate collateral. If a Global Note is damaged, such Global Note shall be surrendered before a replacement is issued. If a Global Note is lost or destroyed, the foregoing shall not limit any right to file a petition for the annulment of such Global Note pursuant to the statutory provisions.

21.3 Place of Performance

Place of performance of the Notes shall be Frankfurt am Main.

21.4 Severability

Should any of the provisions hereof be or become invalid in whole or in part, the remaining provisions shall remain in force.

21.5 Relation to the Senior Swap Counterparty

Any reference in these Terms and Conditions to the Senior Swap Counterparty (including by reference to the Transaction Creditors) shall not entitle any Noteholder to invoke any of the rights of the Senior Swap Counterparty under the Trust Agreement and/or Trust Agreement or the Senior Swap, or to rely on or enforce any breach thereof and shall not limit the right of the Senior Swap Counterparty to exercise or to waive any of these rights.

21.6 Relation to the Bank and the Counterparty

Unless expressly stated in the Trust Agreement neither the Bank nor the Counterparty assumes any obligation or duty in connection with the Notes or any other Notes.

Any reference in these Terms and Conditions to the Bank and/or the Counterparty shall not entitle any Noteholder to rely on any obligation or duty of the Bank and/or the Counterparty assumed pursuant to the Trust Agreement or enforce any breach thereof.

22 Governing Law and Place of Jurisdiction

22.1 Governing Law

The Notes and all of the rights and obligations of the Noteholders and the Issuer under the Notes shall be governed by the laws of the Federal Republic of Germany.

22.2 Jurisdiction

The place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes shall be the District Court (*Landgericht*) in Frankfurt am Main (non-exclusive jurisdiction). The German courts shall have exclusive jurisdiction over the annulment of the Global Notes in the event of their loss or destruction.

THE TRUST AGREEMENT

The following is the text of the Trust Agreement. The text is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Trust Agreement and elsewhere in this Prospectus, the definition in the Trust Agreement will prevail.

This Trust Agreement is entered into as of 18 July 2006 between Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, with its registered office at Schwannstraße 6, 40476 Düsseldorf, Federal Republic of Germany (the "**Trustee**"), Essential Public Infrastructure Capital II GmbH, with its registered office at Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany (the "**Issuer**"), DEPFA BANK plc (the "**Bank**") with its registered office at 1 Commons Street, Dublin 1, Ireland and KfW, Palmengartenstraße 5-9, 60325 Frankfurt am Main, Germany (the "**Counterparty**"), and sets out the rights and obligations of the Trustee which govern the performance of its functions under this Trust Agreement in connection with:

- (A) the issue on the Issue Date by the Issuer of the following classes of credit linked notes:
 - (a) € 250,000 Class A+ Notes, each in an initial principal amount of € 50,000,
 - (b) € 45,000,000 Class A Notes, each in an initial principal amount of € 50,000,
 - (c) € 9,000,000 Class B Notes, each in an initial principal amount of € 50,000,
 - (d) € 9,000,000 Class C Notes, each in an initial principal amount of € 50,000,
 - (e) € 9,000,000 Class D Notes, each in an initial principal amount of € 50,000, and
 - (f) € 6,750,000 Class E Notes, each in an initial principal amount of € 50,000.
- (B) the following Certificates signed by the Counterparty as obligor and the Issuer as creditor as of 18 July 2006, each constituting an undertaking of indebtedness of the Counterparty to pay the following principal amounts and interest thereon to the creditor of the Certificates pursuant to the conditions set out in the Certificate Conditions:
 - (a) the A+ Certificate in an initial principal amount of € 250,000,
 - (b) the A Certificate in an initial principal amount of € 45,000,000,
 - (c) the B Certificate in an initial principal amount of € 9,000,000,
 - (d) the C Certificate in an initial principal amount of € 9,000,000,
 - (e) the D Certificate in an initial principal amount of € 9,000,000, and
 - (f) the E Certificate in an initial principal amount of € 6,750,000.

Each Certificate:

- (a) ranks *pari passu* with all other unsecured and unsubordinated obligations of the Counterparty, subject to reductions of principal and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes;
- (b) has terms and conditions regarding payments of principal and interest matching with the corresponding Class of Notes as follows:
 - (i) the conditions of the A+ Certificate match with the terms and conditions of the Class A+ Notes;

- (ii) the conditions of the A Certificate match with the terms and conditions of the Class A Notes;
 - (iii) the conditions of the B Certificate match with the terms and conditions of the Class B Notes;
 - (iv) the conditions of the C Certificate match with the terms and conditions of the Class C Notes;
 - (v) the conditions of the D Certificate match with the terms and conditions of the Class D Notes; and
 - (vi) the conditions of the E Certificate match with the terms and conditions of the Class E Notes.
- (C) the Bank Swap between the Counterparty as protection seller and the Bank as protection buyer effective as of 18 July 2006. Pursuant to the Bank Swap, the Counterparty will after allocation of Realised Losses to the Outstanding Threshold Amount and the reduction thereof to zero pay to the Bank amounts equal to all Realised Losses exceeding the Threshold Amount incurred in the Reference Pool; and
- (D) the Senior Swap into which the Counterparty as protection buyer intends to enter with the Senior Swap Counterparty. Pursuant to the Senior Swap, the Senior Swap Counterparty will pay to the Counterparty amounts equal to a specified multiple of the amounts of Realised Losses allocated to the Class A+ Notes in accordance with Sections 13.2 (*Loss Allocation – Conditions to Loss Allocation*) and 13.3 (*Loss Allocation – Order*) of the Terms and Conditions.

For as long as there is no Senior Swap, the Counterparty shall be itself deemed to be a Transaction Creditor in the position of the Senior Swap Counterparty for the purposes of this Trust Agreement.

Unless the context requires otherwise, terms used but not defined herein have the same meaning given to them in the Transaction Definitions Schedule dated on or about the date hereof and signed by the Trustee for identification purposes and all other references shall be construed in accordance therewith. The Trustee acknowledges receipt of such Transaction Definitions Schedule. With respect to Realised Losses giving rise to the payment of any Cash Settlement Amount under the Swap Agreements, references to Loss Allocation (or allocation of Realised Losses) and Unjustified Loss Allocation shall be deemed to be references to Cash Settlement and Unjustified Cash Settlement, respectively.

NOW THEREFORE, the parties agree as follows:

1 Duties of the Trustee, Compliance by the Bank

- 1.1** This Trust Agreement *inter alia* sets out the rights and obligations of the Trustee and the conditions for the Loss Allocation to be fulfilled by the Bank.
- 1.2** Unless otherwise stated in this Trust Agreement, the Trustee is not obliged to supervise the discharge by the Issuer, the Counterparty or the Bank of their respective payment and other obligations arising from the Transaction Documents or to carry out duties which are the responsibility of the Issuer, the Counterparty or the Bank.

- 1.3** Except as otherwise stated below, the requirements to be met by the Bank as set out herein, including, without limitation, the requirements set forth in Clauses 7.1, 7.2, 7.3, 7.4, 7.6, 7.8 (*Reports; Documents; Information*), 10.1 (*Reference Obligation Removal Procedure*), 13.4 (*Value Experts for Determination of Appraised Values and Appraised Losses*) and 16.1 (*Undertakings of the Bank and the Issuer*) are conditions for the Loss Allocation, *provided that* there shall be no recourse against the Bank for or other legal effect of any non-compliance with any such requirements.

2 Position of the Trustee

- 2.1** The Trustee shall carry out the Trustee Duties hereunder and shall perform the tasks and functions set out in the Terms and Conditions as a trustee for the benefit of, and with particular regard to the interests of, the Transaction Creditors. The Trustee shall also give due regard to and protect the interests of the Counterparty as the protection seller under the Bank Swap to the extent that such interests are compatible with the interests of the Noteholders and the Senior Swap Counterparty. In case of a conflict of interest among the interests of the Senior Swap Counterparty and the Noteholders, the Trustee shall give priority to the interests of the Senior Swap Counterparty and the holders of the Class A+ Notes and then, among the other Noteholders, to the interests of the Noteholders of the Class or Classes of Notes which then rank most senior for the purposes of the Loss Allocation. In the case of a conflict of interest between the interests of the Counterparty on the one hand and the Noteholders and/or the Senior Swap Counterparty on the other hand, priority will be given to the interests of the Noteholders and/or of the Senior Swap Counterparty.
- 2.2** This Trust Agreement grants the Transaction Creditors the right to demand that the Trustee performs the Trustee Duties (contract for the benefit of a third party (*echter Vertrag zugunsten Dritter*) pursuant to § 328 (1) of the German Civil Code (*Bürgerliches Gesetzbuch*)). The obligations of the Trustee under this Trust Agreement are owed exclusively to the Transaction Creditors, unless otherwise specified or the context requires otherwise. The Bank, the Issuer and the Counterparty, in their capacity as parties to this Trust Agreement, shall also have the right to demand that the Trustee performs the Trustee Duties.

3 Trustee Claim; Transaction Account

- 3.1** The Issuer hereby grants the Trustee a separate Trustee Claim (*Treuhänderanspruch*), entitling the Trustee to demand from the Issuer:
- (a) that any present or future obligations of the Issuer under the Notes be fulfilled, and
 - (b) if a Foreclosure Event has occurred or, the occurrence thereof is, in the professional judgement of the Trustee, imminent, and insolvency proceedings have not been instituted against the assets of the Trustee that any payment owed under the Notes will be made to, and at all times prior to the on-payment to the Noteholders held in, a trust account (*Treuhandkonto*) of the Trustee for on-payment to the relevant Noteholders. The Trustee shall on-pay any amount so received to the Noteholders without undue delay.

The obligations of the Issuer to make payments to the relevant Noteholders shall remain unaffected. The Trustee Claim may be enforced separately from the Noteholders' claim in respect of the same payment obligation of the Issuer. In the case of a payment pursuant to Clause 3.1(b) above, the Issuer and each Noteholder shall have a claim against the Trustee for payment to the relevant Noteholders. The relevant obligation of the Issuer under the Notes shall only be fulfilled once the on-payment to the relevant Noteholders by the Trustee has occurred. Upon on-payment by the Trustee to the Noteholders the liability of the Issuer under the Notes in respect of the same payment obligation shall be discharged to the extent of the sums so on-paid and, if the Trustee makes such on-payment through Euroclear and/or Clearstream, Luxembourg, Section 6.3 (*Payments – Discharge*) of the Terms and Conditions shall apply in respect of such on-payment and discharge the Issuer in respect of the related payment obligation under the Notes. The obligation of the Trustee to on-pay any amounts received under Clause 3.1(b) above without undue delay to the Noteholders shall not be affected by the Trustee's resignation or other termination of its appointment as a trustee for the purposes of the Transaction. In particular, on or prior to the Trustee Resignation Effective Date, the Trustee shall on-pay to the Noteholders any amounts standing to the credit of any trust account pursuant to Clause 3.1(b) above.

Upon payment by the Issuer to the Noteholders the right of the Trustee to request a payment pursuant to Clause 3.1(a) above in respect of the same payment obligation of the Issuer shall cease to exist to the extent of the sums so paid by the Issuer.

- 3.2** The Issuer has opened and shall maintain for the purposes of the Transaction a Transaction Account with Landesbank Hessen-Thüringen Girozentrale, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany as Transaction Account Bank with no. 0000000976 for amounts in €.

The Issuer may, for Serious Cause (*aus wichtigem Grund*), with the prior written consent of the Trustee (which shall not be unreasonably withheld), close the Transaction Account and open a new Transaction Account with another Transaction Account Bank. In such case the Issuer shall within 30 calendar days after receiving such written consent (i) close the Transaction Account with the Transaction Account Bank, (ii) open a new Transaction Account with another Transaction Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Transaction Account to such new Transaction Account.

If the rating of the Transaction Account Bank by any of the Rating Agencies is withdrawn or falls below the Required Rating, the Issuer or, if the Issuer fails to do so, the Trustee, shall within 30 calendar days (i) close the Transaction Account with the Transaction Account Bank, (ii) open a new Transaction Account with another Transaction Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Transaction Account to such new Transaction Account.

- 3.3** The Issuer shall ensure that unless otherwise provided herein or instructed by the Trustee pursuant to this Trust Agreement, all payments made by or to the Issuer be made by way of a bank transfer from or to or deposit in the Transaction Account. Should any amounts payable to the Issuer be paid in any way other than by deposit

or bank transfer to the Transaction Account, the Issuer shall promptly credit such amounts to the Transaction Account.

4 Purchase of Certificates; Trustee Collateral; Waiver

4.1 On the Issue Date the Issuer has purchased the Certificates from the Counterparty pursuant to the Certificate Purchase Agreement. Each Certificate is deposited with the Counterparty.

4.2 The Issuer hereby grants a pledge (*Pfandrecht* pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*)) to the Trustee for the collateral purposes set out in Clause 5 (*Collateral Purpose; Collections; Foreclosure on Trustee Collateral*) over the following claims and rights:

- (a) all its present and future claims and rights against the Counterparty under the Certificates;
- (b) all its present and future claims and rights arising from:
 - (i) the Administration Agreement,
 - (ii) the Certificate Purchase Agreement,
 - (iii) the Agency Agreement,
 - (iv) the Transaction Account Agreement and the Transaction Account, and
 - (v) the Subscription Agreement; and
- (c) all its present and future claims and rights against the Trustee arising under this Trust Agreement.

The Trustee hereby accepts such pledge.

4.3 The Issuer hereby gives notice to the Counterparty of the pledges pursuant to Clauses 4.2(a) and 4.2(b)(ii) (*Purchase of Certificates; Trustee Collateral; Waiver*) and the Counterparty hereby confirms receipt of such notice. The Counterparty, at its own cost, shall hold each of the Certificates in custody for the Issuer as long as any obligation of the Counterparty evidenced by such Certificate remains outstanding.

4.4 The Issuer shall give written notice in the form of the Schedule hereto to the debtors of the claims pledged pursuant to Clauses 4.2(b)(i), 4.2(b)(iii), 4.2(b)(iv) and 4.2(b)(v) (*Purchase of Certificates; Trustee Collateral; Waiver*) and shall provide a written confirmation to the Trustee that it has received a confirmation of receipt of such notice from each such debtor.

The Trustee hereby authorises the Issuer to dispose of the amounts standing to the credit of the Transaction Account in the ordinary course of business. The Trustee may revoke such authorisation at any time by written notice to the Transaction Account Bank without giving reason.

4.5 The Trustee shall waive its pledge granted pursuant to Clause 4.2(a) (*Purchase of Certificates; Trustee Collateral; Waiver*) above if, in its professional judgement, such waiver is in the interest of the Noteholders having regard to the Second Pledges.

- 4.6** Notwithstanding the resignation of the Trustee pursuant to Clause 24.1 (*Termination; Replacement*), the Trustee:
- (a) shall be obliged to hold and transfer to a successor trustee, if any, appointed in accordance with Clause 24 (*Termination; Replacement*) any Trustee Collateral then existing and held by the Trustee, and
 - (b) shall not be entitled to exercise its rights in respect of the pledge granted pursuant to Clause 4.2(a) (*Purchase of Certificates; Trustee Collateral; Waiver*) above as from the Trustee Resignation Effective Date, and
 - (c) hereby acknowledges and undertakes to give full effect to the rights of the Noteholders to exercise the Second Pledges as from the Trustee Resignation Effective Date in accordance with the Noteholder Security Agreement.
- 4.7** If an event specified under "(c)" of the definition of Automatic Termination Event occurs, the pledge granted pursuant to Clause 4.2(a) (*Purchase of Certificates; Trustee Collateral; Waiver*) above and held by the resigning Trustee shall cease to exist on the Trustee Resignation Effective Date.

5 Collateral Purpose; Collections; Foreclosure on Trustee Collateral

- 5.1** The pledges pursuant to Clause 4.2 (*Purchase of Certificates; Trustee Collateral; Waiver*) serve to secure the Trustee Claim.
- 5.2** The Issuer hereby instructs the Counterparty, until further instruction with the consent of the Trustee only, to pay to the Transaction Account the amounts payable under the Certificates on any Payment Date (or such other day on which any amount under the Certificates is payable pursuant to the Certificate Conditions) for payments due under the Notes on such date.

If, however (except in the case of an Early Redemption or final redemption of the Classes of Notes rated AAA by S&P and the Classes of Notes rated AA by S&P), at any time:

- (a) the rating of the short-term unsecured and unsubordinated debt obligations of the Transaction Account Bank is less than A-1+ but not less than A-1 by S&P and
- (b) an amount exceeding 20% of the sum of:
 - (i) the Class Principal Amounts of the Classes of Notes rated AAA by S&P and
 - (ii) the Class Principal Amounts of the Classes of Notes rated AA by S&P,

in each case as of the day immediately preceding such date is to be paid by the Counterparty in respect of the Certificates securing such Classes of Notes to the Transaction Account on such date, the Bank and/or the Trustee (to the extent the Trustee becomes aware of such event) shall notify S&P in writing prior to such date, and the Issuer or, if the Issuer fails to do so, the Trustee (to the extent the Trustee becomes aware of such event), shall open a new Transaction Account with another Transaction Account Bank having an A-1+ rating from S&P and the Required Rating

from Fitch and provide an instruction to the Counterparty within reasonable time prior to a Payment Date (or such other day on which any amount under the Certificates is payable pursuant to the Certificate Conditions), with the consent of the Trustee, if applicable, to make the payments due under the Certificates in respect of the Classes of Notes rated AAA and AA by S&P on such date to such new Transaction Account.

If the Counterparty has not received such instruction in time to make payment to the new Transaction Account, the Counterparty will be authorised to continue payments in accordance with the first sentence of this Clause 5.2 (*Collateral Purpose; Collections; Foreclosure on Trustee Collateral*) and be properly discharged from its payment obligations on such date.

- 5.3** The instruction pursuant to Clause 5.2 (*Collateral Purpose; Collections; Foreclosure on Trustee Collateral*) may be withdrawn by the Trustee upon the occurrence of a Foreclosure Event or if, in the professional judgement of the Trustee, such withdrawal is desirable or expedient to protect the interests of the Noteholders. The Trustee shall promptly give notice to the Counterparty and the Transaction Account Bank of its withdrawal of the instruction pursuant to Clause 5.2 (*Collateral Purpose; Collections; Foreclosure on Trustee Collateral*) and upon the receipt of such notice the Counterparty shall make payments under the Certificates only as instructed by the Trustee.
- 5.4** The Trustee Collateral shall be subject to foreclosure (*Verwertung*) upon the occurrence of a Foreclosure Event.
- 5.5** Upon the occurrence of a Foreclosure Event, the Trustee shall, in its professional judgement, foreclose (*verwerten*) or cause foreclosure (*Verwertung*) on the Trustee Collateral. The Trustee shall foreclose (*verwerten*) on the Trustee Collateral by collecting payments owed on the Trustee Collateral unless in the professional judgement of the Trustee another method of foreclosure (*Verwertungsmethode*) is desirable or expedient to protect the interests of the Noteholders.
- 5.6** The Trustee shall apply the proceeds of any foreclosure (*Verwertung*) (i) first, in redemption of the Notes in accordance with the Terms and Conditions starting with the Class or Classes of Notes ranking most senior for the purposes of Loss Allocation, (ii) second, after all claims under (i) have been fully satisfied and without prejudice to the provisions of Clause 14.2 (Obligation of the Trustee to Act), to reimburse the Trustee for its Indemnification Claims, and (iii) finally, after all claims under (i) and (ii) have been fully satisfied, to pay the remaining proceeds, if any, to the Issuer.
- 5.7** The Trustee shall promptly notify the Bank, the Counterparty, the Senior Swap Counterparty, the Issuer and the Rating Agencies of (i) the occurrence of a Foreclosure Event, (ii) the method of foreclosure (*Verwertung*), and (iii) upon completion of the foreclosure (*Verwertung*), if relevant, the proceeds and allocation thereof.
- 5.8** The Trustee shall give notice to the Noteholders specifying (i) the method of foreclosure (*Verwertung*), (ii) the amount of the foreclosure proceeds (*Verwertungserlöse*) payable on each Note, and (iii) the time of payment of the foreclosure proceeds (*Verwertungserlöse*) to the Noteholders.

6 Representations of the Issuer and the Counterparty

- 6.1** The Issuer hereby represents to the Trustee that it is the creditor of the Certificates and the other Trustee Collateral and it has not previously transferred, assigned, pledged or otherwise charged the Trustee Collateral to any third party; and no third-party rights (other than the Second Pledges which will become effective in accordance with the Noteholder Security Agreement after this Trust Agreement has become effective) to or in relation to the Trustee Collateral have been created by it or, to the best of its knowledge, exist.
- 6.2** The Counterparty hereby represents to the Issuer and the Trustee that the Certificates constitute legal and valid obligations of the Counterparty enforceable in accordance with their terms and the Law Concerning the Kreditanstalt für Wiederaufbau.
- 6.3** In the event that any of the Certificates proves to be invalid or if the transfer thereof to the Issuer proves to be invalid, the Counterparty shall promptly, but not later than 15 calendar days after either it, the Trustee or the Issuer becomes aware of the same, provide full remedy thereof or cash collateral for the Notes, or other collateral for the Notes subject to Rating Agency confirmation, as reasonably required by the Trustee in each case.
- 6.4** If the redemption of the Notes shall be deferred pursuant to Section 12 (*Deferred Redemption*) of the Terms and Conditions in an amount equal to the Deferred Amount, the Issuer shall procure that the determination of Appraised Losses in respect of the Deferred Amount will be made promptly, but not later than as set forth in Section 12 (*Deferred Redemption*).

7 Reports; Documents; Information

- 7.1** With respect to each Collection Period, the Bank shall provide the Trustee with a Pool Report on the corresponding Report Date including, *inter alia*, the points set out below, and the Trustee shall check the acceptability of such Pool Report in accordance with Clause 8.1 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) and shall confirm its acceptability by no later than the 13th Business Day after the end of such Collection Period.

Each Pool Report, Legal Maturity Report or, if relevant, Scheduled Maturity Report or Redemption Report shall contain, if applicable:

- (a) information on each Non-qualifying Reference Obligation and on each Non-complying Reference Obligation and each removal of a Reference Obligation from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions; for the avoidance of doubt and *provided that* the relevant non-compliance is sufficiently recorded in the files of the relevant Bank Entity relating to such Reference Obligation, such information shall only consist of the Reference Number of the relevant Reference Obligation pursuant to Provision 2 (*Reference Obligations*) of the Reference Pool Provisions and whether it is a Notice Default Obligation, a Write-down Amount, a Syndicate Payment Forfeiture Removal Amount or a Maturity Overrun Amount;

- (b) information on each transfer of Reference Obligations pursuant to Provision 8 (*Transfers*) of the Reference Pool Provisions and each removal of Reference Obligations from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions;
- (c) information on the determination of each Liquidated Reference Obligation, Realised Losses and (where relevant) Appraised Values and Appraised Losses for such Collection Period, including the aggregate Outstanding Nominal Amount of all Liquidated Reference Obligations;
- (d) information on Reference Obligations with respect to which a Credit Event has happened including the Reference Number assigned to such Reference Obligation in the Reference Obligation List, Outstanding Nominal Amount, maturity date, frequency of payments and repayments in arrears, and information on measures taken in respect thereof, such as termination status, enforcement and foreclosure measures (*Verwertungsmaßnahmen*);
- (e) information on individual Unjustified Loss Allocations and Late Recoveries and their distribution;
- (f) information on the characteristics of the Reference Pool and on compliance with the Replenishment Criteria;
- (g) a computation of any Cash Settlement Amounts due from the Senior Swap Counterparty under the Senior Swap and from the Counterparty under the Bank Swap;
- (h) information the Bank has received on the occurrence of a Credit Event (including a Syndicate Payment Forfeiture);
- (i) information the Bank has received on the occurrence of a Default Event;
- (j) during the Replenishment Period the current amounts of the Replenishment Capacity and the Replenishment Pool Reduction, as well as with respect to (a) each Replenishment Obligation, (b) each Reference Obligation with respect to which a Write-down Amount, Syndicate Payment Forfeiture or Maturity Overrun Amount has occurred, (c) all Reference Obligations with respect to which the amortisation schedule has changed, an (updated) loan amortisation profile which shall mirror the amortisation of such Replenishment Obligation, or, if applicable, Reference Obligation, in each case as contractually required in the underlying loan agreement (as amended) or which, due to the inclusion of only such part of the relevant Reference Obligation which amortises first, constitutes a faster amortisation;
- (k) information on debt restructuring and payment rescheduling, including any amounts of principal and interest foregone, with respect to any Reference Obligation commenced and / or concluded during the Collection Period and any New Reference Obligation added to the Reference Pool in accordance with Provision 2.2 (*Reference Obligations – Restructuring and Rescheduling of Reference Obligations*) of the Reference Pool Provisions, in particular, if applicable, the corresponding Exchange Rate;

- (l) subject to applicable law, regulations and contractual obligations of the relevant Bank Entity, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of the relevant Bank Entity, any further information reasonably requested in writing by the Trustee, the Counterparty or a Rating Agency; and
- (m) the Re-sets made since the previous Re-set Date and the Re-set Information.

The Bank shall deliver to the Trustee prior to the Issue Date with respect to each Reference Obligation a loan amortisation profile which shall mirror the amortisation of such Reference Obligation as contractually required in the underlying loan agreement (as amended) or which, due to the inclusion of only such part of the relevant Reference Obligation which amortises first, constitutes a faster amortisation.

- 7.2** In connection with the redemption of the Notes, the Bank shall provide the Trustee with the Scheduled Maturity Report and, if applicable, the Legal Maturity Report or the Redemption Report no later than on the 4th Business Day prior to the Actual Date of Redemption.
- 7.3** The Bank shall deliver (and in respect of the Reference Obligation List due to be delivered on or before the Issue Date, confirms that it has delivered) to the Trustee a copy of the Reference Obligation List on the due date for delivery as provided for in Provision 2 (*Reference Obligations*) of the Reference Pool Provisions.
- 7.4** Subject to applicable law, regulations and contractual obligations of the relevant Bank Entity, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of the relevant Bank Entity, the Bank shall provide the Trustee with such additional information and documents that are in the possession of the Bank or to which it has access to as the Trustee may reasonably require for the performance of the Trustee Duties.
- 7.5** The Trustee shall take delivery of the Reports and all other documents delivered to it pursuant to this Trust Agreement and shall:
 - (a) keep such documents for one year after the termination of this Trust Agreement and, at the discretion of the Bank, thereafter either destroy such documents or deliver the same to the Bank; or
 - (b) forward the documents to the successor Trustee if the Trustee is replaced in accordance with Clause 24 (*Termination, Replacement*);

unless otherwise required by applicable law.

- 7.6** In addition, subject to applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of the relevant Bank Entity, the Bank shall grant, and shall procure that the other Bank Entities grant, the independent auditors of the Trustee the right to inspect, after having received reasonable notice and during normal business hours, all books, documents and data which affect the Reference Obligations or the Reference Collateral.

- 7.7** Without prejudice to the provisions of Clause 28 (*Confidentiality*) and applicable data protection laws and regulations and statutory, regulatory and contractual bank secrecy obligations of the relevant Servicer, the Trustee shall not disclose any Report, document or other information obtained from the Bank pursuant to this Trust Agreement to any third party without prior written consent of the Bank, except to an Expert pursuant to Clause 12 (*Expert for the Procedures*) or Value Experts pursuant to Clause 13 (*Value Experts for Determination of Appraised Values and Appraised Losses*) duly appointed in accordance with this Trust Agreement or a vicarious agent (*Erfüllungsgehilfe*) appointed in accordance with Clause 18 (*Retaining of Third Parties*), the Senior Swap Counterparty (which shall be entitled to provide such information to a back-to-back swap counterparty) or to the Rating Agencies in accordance with this Trust Agreement.
- 7.8** Unless otherwise specified or agreed with the Trustee, the Bank shall provide the Trustee with all Reports, documents and information pursuant to Clause 30 (*Communications*). All Reports, documents and information provided to the Trustee shall be true, accurate and complete in all material respects.

8 Verification; Confirmation of Loss Allocation; Initiation of Procedures

- 8.1** The Trustee shall check the acceptability of the Reports and other documents delivered and information otherwise provided to it pursuant to this Trust Agreement (excluding however financial statements of (i) the Bank, delivered under Clause 16.1(a) (*Undertakings of the Bank and the Issuer*) and (ii) the Issuer, delivered under Clause 16.3(a) (*Undertakings of the Bank and the Issuer*)) in light of all circumstances (*Plausibilitätsprüfung*) including, without limitation, (a) whether a Reference Obligation with respect to which a Credit Event was reported pursuant to Clause 7.1(d) (*Reports; Documents; Information*) has been identified to the Trustee in the Reference Obligation List and has not been removed thereafter from the Reference Pool, and (b) whether a Credit Event as reported and notified pursuant to Clause 7.1(d) (*Reports; Documents; Information*) has occurred. If these checks by the Trustee do not reveal any indication that the Issuer or the Bank is in breach of any of its obligations under the Transaction Documents or any other risk for the Transaction Creditors due to any failure of the Issuer or the Bank duly to discharge their obligations under the Trustee Documents exists, the Trustee is not obliged to examine such Reports, documents or information any further.

If, on the basis of such checks, the Trustee comes to the conclusion that any condition for the Loss Allocation has not been satisfied by the Bank or that the Issuer or the Bank is in breach of any of its obligations under the Transaction Documents, the Trustee shall promptly notify the Bank, the Senior Swap Counterparty, the Counterparty, the Issuer and the Rating Agencies and shall conduct such further reviews and take such other actions, including the specific procedures set out in Clauses 9 (*Loss Allocation Procedure*), 10 (*Reference Obligation Removal Procedure*) and 11 (*Redemption Procedures*), as applicable, within the scope of the Trustee Duties and subject to Clause 14 (*Obligation of the Trustee to Act*) as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

8.2

- (a) In addition to the checks pursuant to Clause 8.1 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) above, the Trustee shall (i) on a quarterly basis with respect to a Collection Period and/or (ii) as directed by the Counterparty and/or the Transaction Creditors pursuant to Clause 14.3 (*Obligation of the Trustee to Act*), verify the determination and allocation of Realised Losses in respect of each Reference Obligation for which Realised Losses are to be allocated pursuant to Sections 13.2 (*Loss Allocation – Conditions to Loss Allocation*) and 13.3 (*Loss Allocation – Order*) of the Terms and Conditions (x) as of the Payment Date immediately following such Collection Period, or, (y) if a relevant Allocation Notice has only been received after the 12th Business Day preceding the end of such Collection Period, on the Payment Date immediately following the Payment Date after the end of such Collection Period, in each case including whether all conditions for the Loss Allocation pursuant to Provision 6 (*Conditions for Loss Allocation*) of the Reference Pool Provisions and, in particular, the Eligibility Criteria or the Replenishment Criteria, as relevant, were met and the Servicing Standards were complied with in connection with such Reference Obligations provided that the Trustee has received from the Bank such information and/or documents, subject to applicable laws, regulations and contractual obligations of the Bank, necessary to perform such checks.

With respect to the determination and allocation of Realised Losses, if, on the basis of such checks, the Trustee comes to the conclusion that the conditions for the Loss Allocation have been complied with, that the Bank is not in breach of any of its obligations under the Transaction Documents and that the interests of the Transaction Creditors are not at risk as a result of any failure of the Issuer or the Bank duly to discharge their obligations under the Transaction Documents, the Trustee shall promptly confirm by written notification to the Bank, the Counterparty, the Transaction Creditors, the Rating Agencies and the Issuer such determination and allocation of Realised Losses. If, on the basis of such checks, the Trustee comes to the conclusion that the conditions for the Loss Allocation have not been complied with or that the Bank is in breach of any of its obligations under the Transaction Documents or that the interests of the Transaction Creditors are at risk as a result of any failure of the Issuer or the Bank duly to discharge their obligations under the Trustee Documents the Trustee shall promptly notify the Bank, the Counterparty, the Transaction Creditors, the Issuer and the Rating Agencies and take such other actions, including the specific procedures set out in Clauses 9 (*Loss Allocation Procedure*), 10 (*Reference Obligation Removal Procedure*) and 11 (*Redemption Procedures*), as applicable, within the scope of its Trustee Duties and subject to Clause 14 (*Obligation of the Trustee to Act*) as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

- (b) The Trustee shall only be obliged to carry out the verifications pursuant to this paragraph 8.2 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) if the conditions of Clause 14.2 (*Obligation of the Trustee to Act*) are met.

- 8.3** The Trustee shall verify the accuracy of each Investor Notification provided to it by the Bank pursuant to Clause 16 (*Undertakings of the Bank and the Issuer*) by reference to the corresponding data contained in the related Reports delivered to it by the Bank pursuant to Clause 7 (*Reports; Documents; Information*) in respect of the relevant Collection Period.
- 8.4** The Trustee shall, within three Business Days after delivery by the Bank of the relevant Investor Notification pursuant to Clause 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), give a confirmation to the Bank and to the Issuer and a copy thereof to the Counterparty, the Senior Swap Counterparty, and to the Administrator, to the effect that (i) (a) it has performed the check (*Plausibilitätsprüfung*) of the Reports and other documents and information referred to in Clause 8.1 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), (b) such check does not reveal any indication of non-compliance with related conditions and requirements for Loss Allocation, and (c) on the basis of its verification pursuant to Clause 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) the relevant Investor Notification is accurate; or (ii) on the basis of such check and verification referred to in (i)(a), it came to the conclusion that (a) there is a non-compliance with any related condition or requirement for Loss Allocation and/or (b) any proposed Loss Allocation or payment to any Transaction Creditor may not be made in whole or in part.
- 8.5** The Trustee shall deliver to the Bank and the Issuer as soon as possible any Notice pursuant to Clauses 8.1 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), 8.2(a) (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), 9 (*Loss Allocation Procedure*), 10 (*Reference Obligation Removal Procedure*), 11 (*Redemption Procedures*) and/or 14 (*Obligation of the Trustee to Act*), and a copy thereof to the Counterparty and the Senior Swap Counterparty. Such Notice shall provide reasonable details with respect to (i) a summary of the relevant facts and circumstances, (ii) the extent of the Trustee's disagreement with the relevant determination or calculation or other action (or failure to act) of the Bank or the Issuer, if applicable, and (iii) the Trustee's reasons for such disagreement.
- 8.6** If the Notes are redeemed pursuant to Section 10 (*Termination for Default*) or Section 11 (*Early Redemption by the Issuer*) of the Terms and Conditions, the Trustee will, prior to the Actual Date of Redemption, perform the verifications and checks required of it hereunder as soon as reasonably practicable in order to enable the Bank and the Issuer to fulfil their respective obligations to deliver verified Reports and Investor Notifications to the relevant parties within the timeframes specified for such delivery in the relevant Transaction Documents.
- 8.7** The Trustee may request and the Bank shall provide any information reasonably necessary for the Trustee to enable and facilitate the performance of the Trustee's duties under this Clause 8 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*).

9 Loss Allocation Procedure

- 9.1** If the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 8.1, 8.2 and 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), that an allocation of Realised Losses may be unjustified in whole or in part because the determination thereof or the allocation thereof to a particular

Transaction Creditor is erroneous the Trustee shall promptly give the Issuer, the Counterparty, the Senior Swap Counterparty, and the Bank a Notice thereof and shall proceed in accordance with Clause 12 (*Expert for the Procedures*). The determination and/or allocation of Realised Losses shall be erroneous if, *inter alia*:

- (a) the Servicing Standards have not been complied with in respect of the enforcement, including by way of foreclosure (*Verwertung*) on Reference Collateral, of a Reference Obligation which has been determined to be a Liquidated Reference Obligation; or
- (b) after a Reference Obligation has been determined as a Liquidated Reference Obligation, any of items (a), (b) or (c) of the definition of Realised Loss have not been correctly determined (whereby with regard to Appraised Values the Trustee will check the correct procedure pursuant to Clause 13 (*Value Experts for Determination of Appraised Values and Appraised Losses*)).

9.2 If the Notice is received by the Bank before the Report Date immediately preceding the Payment Date on which the allocation of the Realised Loss in respect of which the Notice was given should take place, such Realised Loss shall not be included in the Loss Allocation until and unless its due allocation is determined pursuant to Clause 12 (*Expert for the Procedures*).

9.3 In the event that the Trustee has reason to believe, on the basis of its checks pursuant to Clauses 8.1, 8.2 and 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), that an Unjustified Loss Allocation or Unjustified Cash Settlement has occurred, it shall notify the Issuer, the Counterparty, the Rating Agencies, the Senior Swap Counterparty, and the Bank accordingly. In the event that the Bank declines to confirm the occurrence of an Unjustified Loss Allocation or Unjustified Cash Settlement, the Trustee shall appoint an Expert pursuant to Clause 12 (*Expert for the Procedures*) to determine whether an Unjustified Loss Allocation or Unjustified Cash Settlement has occurred, which Transaction Creditors have been affected thereby, and details of the re-instatement of the relevant Note Principal Amount of the affected Notes or reimbursement of the Unjustified Cash Settlement Amount.

10 Reference Obligation Removal Procedure

10.1 The Bank shall as soon as reasonably practical after becoming aware (i) that a Reference Obligation is or has become a Non-complying Reference Obligation give a Non-compliance Notice to the Trustee, the Counterparty, the Senior Swap Counterparty, and the Issuer and (ii) of a Notice Default Obligation, a Write-down Amount, a Syndicate Payment Forfeiture Removal Amount, or a Maturity Overrun Amount, notify the Trustee, the Counterparty, the Senior Swap Counterparty, and the Issuer thereof, unless such non-compliance or such Notice Default Obligation, Write-down Amount, Syndicate Payment Forfeiture Removal Amount, or Maturity Overrun Amount has been reported in a Pool Report. The Non-compliance Notice pursuant to (i) and the notice pursuant to (ii) shall only consist, provided the relevant non-compliance or Notice Default Obligation, Write-down Amount, Syndicate Payment Forfeiture Removal Amount, or Maturity Overrun Amount is sufficiently recorded in the files of the relevant Bank Entity relating to such Reference Obligation, of the

Reference Number of such Reference Obligation pursuant to Provision 2 (*Reference Obligations*) of the Reference Pool Provisions.

10.2 On or after the date on which the Non-compliance Notice is delivered but prior to the Report Date immediately following such date with respect to any Non-complying Reference Obligation, the Bank may provide details of such non-compliance to the Trustee and request from the Trustee a Confirmation of Compliance as to whether, in the professional judgement of the Trustee, such non-compliance:

- (a) does or will have a Material Adverse Effect on the Reference Obligation becoming a Liquidated Reference Obligation; and
- (b) does or will have a Material Adverse Effect on any Realised Loss that may arise with respect to such Reference Obligation.

If the Trustee confirms in such Confirmation of Compliance (to be delivered within ten Business Days of the request thereof) that such non-compliance does not or will not have such Material Adverse Effect, the relevant Reference Obligation shall no longer qualify as a Non-complying Reference Obligation and shall not become a Non-qualifying Reference Obligation; such Reference Obligation may be removed from the Reference Pool at the option of the Bank pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions. If such Reference Obligation is not removed and subsequently a Loss Allocation with respect to such Reference Obligation occurs, the Trustee shall in the course of his verification under Clause 8.2 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement repeat its assessment pursuant to Clause 10.2(a) and (b) (*Reference Obligation Removal Procedure*) and issue a Confirmation of Compliance. If the Trustee does not confirm in such Confirmation of Compliance that such non-compliance has not or has not had a Material Adverse Effect on the Reference Obligation becoming a Liquidated Reference Obligation or any Realised Loss, such Reference Obligation shall become a Non-qualifying Reference Obligation.

10.3 Subject to Clause 10.2 (*Reference Obligation Removal Procedure*), a removal of any Reference Obligation (or a part thereof) from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions will become effective:

- (a) in the case of a Non-qualifying Reference Obligation (including a Notice Default Obligation, a Write-down Amount, and a Syndicate Payment Forfeiture Removal Amount) and in the case of a Maturity Overrun Amount, as of the Payment Date immediately following the Pool Report in which such Non-qualifying Reference Obligation or Maturity Overrun Amount has been published, or
- (b) in all other cases, as of the Payment Date immediately following the Pool Report in which the Bank has declared to remove such Reference Obligation pursuant to such provisions.

11 Redemption Procedures

11.1 In the event that the Trustee has reason to believe on the basis of its checks pursuant to Clauses 8.1, 8.2 and 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) that a determination by the Bank pursuant to Section 9 (*Amortisation of the Notes*), Section 10 (*Termination for Default*), or Section 11

(*Early Redemption by the Issuer*) of the Terms and Conditions has not been made in accordance with the Terms and Conditions, it shall promptly issue a Notice to the Bank, the Counterparty, the Senior Swap Counterparty, and the Issuer thereof and shall proceed in accordance with Clause 12 (*Expert for the Procedures*) hereof.

- 11.2** If such Notice is received by the Bank before the Report Date immediately preceding the relevant redemption date, the redemption will be deferred until the next Payment Date or, if later, the date on which final determination of the matter(s) in respect of which the Notice was given pursuant to the procedures under Clause 12 (*Expert for the Procedures*) takes place. Without prejudice to any applicable Unjustified Loss Allocation procedure and *provided that* Noteholders shall have no rights with respect to any Unjustified Loss Allocation after final redemption of their Notes, if the Notice is received by the Bank after the relevant Report Date, the determinations in respect of which the Notice was given will be binding for the given redemption date.

12 Expert for the Procedures

- 12.1** Without prejudice to the provisions of Clause 12.4 (*Expert for the Procedures*) below, upon giving a Notice pursuant to Clause 8.5 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), the Trustee shall procure that an Expert is appointed in accordance with Clause 12.2 (*Expert for the Procedures*) below to resolve the disputed matter. For the avoidance of doubt, the appointment of each Expert is for the purposes of obtaining an expert opinion (*Schiedsgutachten*) and not for arbitration (*Schiedsvertrag*).
- 12.2** The Trustee shall provide to the Bank and the Senior Swap Counterparty written information about the requirement to appoint an Expert and shall consult with the Bank. Such Expert shall then be selected by way of mutual agreement between the Trustee and the Bank in their reasonable discretion, if practicable, having regard to the nature of the dispute and interests of the Transaction Creditors and the Counterparty in the timely determination of the disputed issue. The Trustee shall ensure that Clause 28.2 (*Confidentiality*) is complied with. If no agreement can be reached between the Trustee and the Bank within a period of 15 calendar days after the Bank has received the information about the requirement to appoint an Expert, the selection of the Expert shall be promptly referred by the Trustee to the president of the Institute of Chartered Accountants in England and Wales who shall be asked to appoint the Expert. Such appointment shall be final and binding for all parties.
- 12.3** The Trustee shall promptly notify the Counterparty, the Bank, the Issuer, the Senior Swap Counterparty and each of the Rating Agencies of such appointment and the nature of the dispute.
- 12.4** Prior to the appointment of the Expert pursuant to Clause 12.1 (*Expert for the Procedures*), the Trustee may, at its sole discretion but having due regard to the interests of the Transaction Creditors, seek an amicable solution to the matter of disagreement by negotiation with the Bank.
- 12.5** Each of the Bank and the Trustee shall, upon request of the Expert, provide the Expert with such information, documents and access as the Expert may reasonably require for the performance of its duties hereunder. The Bank may limit the access of any Expert to any of its information, facilities and documentation to the extent that the Bank, based on advice of in-house or external legal counsel, determines, that

such limitation is necessary in order to avoid a violation of applicable law, regulations and/or contractual obligations of the Bank, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of any Bank Entity.

- 12.6** Any determination by way of a written certificate of the Expert will, in the absence of manifest error, be final and binding. The Expert shall deliver such written certificate to the Trustee, with a copy to the Issuer, the Counterparty, the Senior Swap Counterparty and the Bank. To the extent that, pursuant to the findings of the Expert in such written certificate, a Realised Loss is to be determined and allocated to the Notes in accordance with the Terms and Conditions, the Trustee shall confirm such determination and allocation by written notification to the Bank, the Counterparty, the Senior Swap Counterparty and the Issuer. For the avoidance of doubt, the Trustee shall not be obliged to verify such determination and allocation to the extent such determination and allocation is final and binding.

13 Value Experts for Determination of Appraised Values and Appraised Losses

- 13.1** Promptly upon receipt of a notice from the Bank or the Issuer or, as the case may be, the Counterparty, that determination of Appraised Values and Appraised Losses is necessary for the purposes of the Transaction, the Trustee shall procure that two Value Experts are appointed in accordance with Clause 13.2 (*Value Experts for Determination of Appraised Values and Appraised Losses*) below to determine the Appraised Values and Appraised Losses. For the avoidance of doubt, the appointment of Value Experts is for the purposes of obtaining an expert opinion (*Schiedsgutachten*) and not for arbitration (*Schiedsvertrag*). In the cases set out in Section 13.2(d)(iii) (*Loss Allocation – Conditions to Loss Allocation – Appraisal following Adjustment Notice*) of the Terms and Conditions where the Trustee has not received an Allocation Notice by the 65th calendar day prior to the Adjustment Appraisal Date, the Trustee shall procure that two Value Experts are appointed to determine the Appraised Values and Appraised Losses without having received a further notice after an Adjustment Notice in order to ensure that Realised Losses are determined in accordance with Section 13.2(d)(iii) (*Loss Allocation – Conditions to Loss Allocation – Appraisal following Adjustment Notice*) of the Terms and Conditions.
- 13.2** The Trustee shall provide written information to the Bank and the Senior Swap Counterparty about the requirement to appoint Value Experts and shall consult with the Bank. Such Value Experts shall then be selected by way of mutual agreement between the Trustee and the Bank in their reasonable discretion, having regard to (i) the interests of the Transaction Creditors and (ii) the ability of such Value Experts to determine any Appraised Values and Appraised Losses in a professional and timely manner. The Trustee shall ensure that Clause 28.2 (*Confidentiality*) is complied with and shall use all reasonable efforts to provide for a timely determination of the Appraised Values and Appraised Losses. If no agreement can be reached between the Trustee and the Bank within a period of 15 calendar days after the Bank has received the information about the requirement to appoint Value Experts, the selection of the Value Experts shall promptly thereafter be referred by the Trustee to the president of the Institute of Chartered Accountants in England and Wales who shall be asked to appoint the Value Experts. Such appointment shall be final and binding for all parties.

- 13.3** The Trustee shall promptly notify the identity of the Value Experts to the Counterparty, the Bank, the Issuer, the Senior Swap Counterparty and each of the Rating Agencies.
- 13.4** Upon request by the Trustee and/or the Value Experts, the Bank shall provide the Value Experts with such information and documents regarding the Reference Obligations and access as the Value Experts may reasonably require for the determination of the Appraised Values and Appraised Losses. The Bank may limit the access of the Value Experts to any of its information, facilities and documentation to the extent that the Bank, based on advice of in-house or external legal counsel, determines, that such limitation is necessary in order to avoid a violation of applicable law, regulations and/or contractual obligations of the relevant Bank Entity, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of the relevant Bank Entity.
- 13.5** The Value Experts will determine the Appraised Values and Appraised Losses in the time frames set forth in the Terms and Conditions, in particular in Section 10.2 (*Termination for Default – Method and Amount*) and 11 (*Early Redemption by the Issuer*) in each case in connection with Section 12 (*Deferred Redemption*), and Section 13.2(d)(iii) (*Loss Allocation – Conditions to Loss Allocation*) of the Terms and Conditions, but in any case not later than by the Legal Maturity Date. Any such determination by way of a written certificate of the Value Experts will, in the absence of manifest error, be a final and binding determination of the Value Experts for the purposes of determination of the Appraised Values and Appraised Losses. Following such determination the Value Experts shall immediately deliver a written certificate to the Trustee with a copy to the Bank, the Counterparty, the Senior Swap Counterparty and the Issuer.

14 Obligation of the Trustee to Act

- 14.1** If the Trustee becomes aware on the basis of its checks pursuant to Clauses 8.1, 8.2 and 8.3 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*), that the interests of the Transaction Creditors are at risk due to any failure by the Issuer or the Bank duly to discharge its obligations under the Trustee Documents, the Trustee shall (i) promptly give Notice to the Bank, the Counterparty, the Senior Swap Counterparty and the Issuer thereof and, (ii) at its discretion and subject to Clause 14.2 (*Obligation of the Trustee to Act*), take or initiate any of the Procedures under this Trust Agreement, appoint an Expert (pursuant to Clause 12 (*Expert for the Procedures*) or Value Experts (pursuant to Clause 13 (*Expert for Determination of Appraised Values and Appraised Losses*)) or take such other action which the Trustee, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors. If the Trustee has been requested by a Transaction Creditor and/or the Counterparty to take actions pursuant to this Trust Agreement to protect the interests of the Transaction Creditors and/or the Counterparty, the Trustee may, in its reasonable discretion, take the actions set forth in (i) and (ii) of the preceding sentence.

14.2 The Trustee shall only be obliged to perform its Trustee Duties if, and to the extent that:

- (a) it is convinced (on reasonable grounds) that its fees pursuant to Clause 20.1 (*Fees and Reimbursement of the Trustee*) will be paid and it will be indemnified to its satisfaction (either by reimbursement of costs or in any other way it deems appropriate) with regard to its Indemnification Claim (which shall be deemed to be the case if the deposit to be made by the Bank pursuant to Clause 25.4 (*Issuer Costs*) is, in the professional judgement of the Trustee, based on a true and fair assessment of the circumstances, sufficient to cover the Trustee's claims); or
- (b) regardless of Clause 25.4 (*Issuer Costs*), the Issuer has, upon the Trustee's request, paid an adequate advance for the Trustee's Indemnification Claim,

provided that any Indemnification Claim which shall be incurred or requested by the Trustee (a) in connection with or for a period of 30 calendar days following the occurrence of a Foreclosure Event and/or (b) after the Termination Date shall be deemed to be included in the amounts previously paid or advanced to the Trustee hereunder.

For the avoidance of doubt, the Trustee shall only be obliged to perform its duties in respect of the determination of Realised Losses (including the determination of Appraised Loss / Appraised Values) if it is convinced that the preconditions set out in Clause 14.2(a) (*Obligation of the Trustee to Act*) above are met.

14.3 After the first Credit Event has occurred, the Counterparty and / or the Transaction Creditors may request the Trustee to take action pursuant to this Trust Agreement and the Trustee shall take such action as reasonably instructed by the Counterparty *provided that* (i) such action does not contravene the interests of the Transaction Creditors subject to Clause 2.1 (*Position of the Trustee*), (ii) in doing so the Trustee is not in breach of its other duties and obligations under the Trustee Documents and (iii) the respective person making the request has provided for the costs and expenses of such action in a manner satisfactory to the Trustee. If no specific action pursuant to this Trust Agreement is instructed, the Trustee shall, subject to (i) and (ii) above, initiate such Procedure or take such other action in accordance with this Trust Agreement as it, in its professional judgement, considers desirable or expedient to protect the interests of the Transaction Creditors.

15 Representations and Undertakings of the Trustee

15.1 The Trustee represents to the Issuer, the Counterparty and the Bank that it is legally competent and in a position to perform the duties ascribed to it under the Trustee Documents and that, as at the time of concluding this Trust Agreement, a reason for terminating this Trust Agreement pursuant to Clause 24.1 (*Termination; Replacement*) has neither occurred nor to its best knowledge is foreseeable.

15.2 The Trustee undertakes without undue delay (*unverzglich*) to:

- (a) provide the Bank, the Counterparty, the Senior Swap Counterparty and the Issuer with a copy of each notice it receives from a Noteholder pursuant to

Section 10.1(b) (*Automatic Termination Event, Default Event*) of the Terms and Conditions, and

- (b) if a final redemption of the Notes is reported in the Scheduled Maturity Report, the Legal Maturity Report or the Redemption Report (as the case may be), inform the shareholders of the Issuer about such final redemption, provided that:
 - (i) the Trustee shall check the acceptability of such final redemption on the basis of the said reports and in light of all circumstances (*Plausibilitätsprüfung*), and
 - (ii) the notice shall be sent to the shareholders of the Issuer as stated in the Prospectus unless a change in the shareholding is duly being reported to the Trustee by the Issuer.

15.3 The Trustee undertakes neither to assign, in whole or in part, the Trustee Claim which is secured by a pledge over the Certificates pursuant to Clause 4.2 (*Purchase of Certificates; Trustee Collateral; Waiver*), except in connection with a replacement of the Trustee pursuant to Clause 24 (*Termination; Replacement*) nor to give its consent to any assignment of the Certificates by the Issuer, except in connection with a substitution of the Issuer pursuant to Section 20 (*Substitution of the Issuer*) of the Terms and Conditions or pursuant to the requirements set out in Clause 15.4 (*Representations and Undertakings of the Trustee; Undertaking of the Counterparty*).

15.4 The Trustee undertakes to give its consent to the Issuer pursuant to Clause 16.4 (*Undertakings of the Bank and the Issuer*) only if all the rights, claims and/or assets arising from the action in respect of which the consent is sought are pledged or assigned to the Trustee or, as applicable, an equivalent security interest of the Trustee in such rights, claims and/or assets is created.

15.5 The Trustee undertakes to provide the Bank, the Counterparty, the Senior Swap Counterparty and the Issuer with a notice of its intention to give a Resignation Notice to the Noteholders.

15.6 The Trustee hereby confirms that a copy of the Terms and Conditions and the Senior Swap is available to it and that it is familiar with the terms of the Terms and Conditions and the Senior Swap.

15.7 The Senior Swap Counterparty will pursuant to the terms of the Senior Swap be obliged to provide the Trustee with any amendment of the Senior Swap relevant in connection with the Trustee Duties hereunder.

16 Undertakings of the Bank and the Issuer

16.1 For as long as any of the Notes are outstanding, the Bank shall:

- (a) as soon as practicable after publication, provide the Trustee with two copies of its latest annual audited financial statements and make its latest annual published financial statements available for inspection by the Transaction Creditors at the specified offices of the Bank, the Principal Paying Agent, and, as long as any Notes are listed on the Irish Stock Exchange, at the specified offices of the Irish Paying Agent, if different;

- (b) subject to applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy and confidentiality obligations of the Servicer, and internal business secrecy practice of the Servicer, permit the Trustee, which is an auditing firm, an Expert and the Value Experts, to inspect books and records of the Servicer for the purposes of performance of the Trustee Duties and the duties under Clauses 12 (*Expert for the Procedures*) and 13 (*Value Experts for Determination of Appraised Values and Appraised Losses*), respectively, to give any information necessary for such purposes and to make the relevant records available for inspection;
- (c) subject to applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy and confidentiality obligations of the Servicer, and internal business secrecy practice of the Servicer, execute such additional documents and take such further action as the Trustee may reasonably consider necessary or appropriate to give effect to this Trust Agreement and to ensure the validity, binding effect and enforceability of the Terms and Conditions;
- (d) notify the Trustee immediately of any information received in writing that (a) the Issuer cannot discharge in full any obligation to make payments of principal or interest on the Notes pursuant to the Terms and Conditions with respect to any Payment Date, or (b) the Bank, the Counterparty or the Issuer is in breach of any other obligations under the Transaction Documents, or (c) the occurrence of (a) or (b) is imminent;
- (e) subject to applicable law, regulations and contractual obligations of the Bank, in particular data protection laws and regulations, and subject to statutory, regulatory and contractual bank secrecy and confidentiality obligations of the Servicer, and internal business secrecy practice of the Servicer, notify the Trustee if the interests of the Transaction Creditors with respect to the Reference Obligations are materially impaired or jeopardised by any action of a third party (of which the Bank is aware), by sending a copy of any document on which the claim of the third party is based, as well as all further documents which are reasonably required or useful to enable the Trustee to file proceedings and take other actions in defence of the rights of the Transaction Creditors;
- (f) provide the Trustee (after the occurrence of a Credit Event) with a Credit Event Notice (as further specified in Sections 13.2 (*Loss Allocation – Conditions to Loss Allocation*) and 13.3 (*Loss Allocation – Order*) of the Terms and Conditions) in respect of a Reference Obligation as soon as practicable, but not later than 90 calendar days, after the relevant Bank Entity has become aware of the occurrence of a Credit Event, an Adjustment Notice (as further specified in Section 13.2(d) (*Loss Allocation – Adjustment Notice*) of the Terms and Conditions) if upon a Syndicated Reference Obligation becoming a Defaulted Reference Obligation and the occurrence of a Syndicate Payment Forfeiture the Bank decides to give an Adjustment Notice, and with an Allocation Notice (as further specified in

Section 13.2(c) (*Loss Allocation – Allocation Notice*) of the Terms and Conditions) as soon as practicable, but not later than 30 calendar days after the workout procedures have been completed by the Lender or the Lender has determined that no further amounts would be received;

- (g) provide the Trustee with a copy of each Investor Notification in each case together with the relevant Pool Report; and
- (h) after the Trustee has given its confirmation pursuant to Clause 8.4 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*) hereof, promptly, but not later than the second Business Day following the receipt thereof, (i) prepare the relevant Investor Notifications in final forms, adjusting the draft forms, as necessary, based on the Trustee's confirmation, and (ii) distribute the final form of the Investor Notifications to the Issuer, with a copy to the Principal Paying Agent and, if applicable, to the Irish Paying Agent, for communication to the Noteholders in accordance with the Terms and Conditions and a copy for the Rating Agencies and the Counterparty.

16.2 The Bank shall send or have sent to the Senior Swap Counterparty, as long as the Senior Swap has not been terminated, a copy of each notice to be given to the Noteholders in accordance with the Terms and Conditions not later than on the day of the delivery of such notice to the Noteholders.

16.3 For as long as any of the Notes are outstanding the Issuer shall:

- (a) as soon as practicable after publication, provide the Trustee with two copies of its latest annual financial statements and make its latest annual published financial statements available for inspection by the Transaction Creditors at the specified offices of the Bank, the Principal Paying Agent, and, as long as any Notes are listed on the Irish Stock Exchange, at the specified offices of the Irish Paying Agent, if different;
- (b) execute such additional documents and take such further action as the Trustee may reasonably consider necessary or appropriate to give effect to this Trust Agreement and to ensure the validity, binding effect and enforceability of the Terms and Conditions;
- (c) notify the Trustee immediately if (a) it cannot discharge in full any obligation to make payments of principal or interest on the Notes pursuant to the Terms and Conditions with respect to any Payment Date, (b) it is in breach of any other obligations under the Transaction Documents, or becomes aware of a breach of any obligation of the Bank and/or the Counterparty hereunder, or (c) the occurrence of (a) or (b) is imminent;
- (d) without delay provide the Bank, the Counterparty and the Trustee with a notice if the Notes become due and subject to early redemption by operation of insolvency or other mandatory laws or the occurrence thereof is imminent;
- (e) give the Bank and the Trustee at least 30 calendar days notice of its replacement of the Principal Paying Agent;

- (f) use its best endeavours to procure that, within 10 Business Days from the date of the Trust Agreement, the Transaction Account Bank waives (*Verzicht*) (i) any right of pledge which the Transaction Account Bank may have over the Transaction Account, by way of the Transaction Account Bank's standard business terms or otherwise, and (ii) any right of retention or set-off the Transaction Account Bank may have in respect of the Transaction Account, and
- (g) procure that the Trustee will be granted security over any new Transaction Account established in accordance with this Transaction.

16.4 For as long as any of the Notes are outstanding the Issuer shall not be entitled without the Trustee's prior written consent (except as otherwise contemplated by the Transaction Documents) to:

- (a) engage in any business or any other activities other than:
 - (i) the performance of its obligations under this Trust Agreement, the Notes and the other Transaction Documents;
 - (ii) the enforcement of its rights;
 - (iii) the performance of any acts which are necessary or desirable in connection with (a) or (b) above; and
 - (iv) the execution of all further documents and undertaking of all other actions, at any time and to the extent permitted by law, which, in the professional judgement of the Trustee, are necessary or desirable having regard to the interests of the Transaction Creditors in order to ensure that the Trustee Documents are always valid and effective,
- (b) hold subsidiaries (except in the case of a substitution of the Issuer pursuant to the Terms and Conditions),
- (c) assign any of the Certificates,
- (d) alienate, create or permit to subsist any pledge or other security interest in, any assets or any part thereof or interest therein, unless permitted under (a) above,
- (e) incur further indebtedness or give any guarantee or indemnity in respect of any obligation of any person,
- (f) have any employees,
- (g) amend any of the Transaction Documents or its Memorandum and Articles of Association except as required by applicable law or requested by the Trustee,
- (h) acquire the obligations or securities of its shareholders,
- (i) commingle its assets with those of any other entity,
- (j) issue or repurchase shares or reduce its share capital or declare or pay dividends or any other distributions of any kind whatsoever, except as contemplated by the Transaction Documents,

- (k) open any bank account (other than the Transaction Account and an account with the Principal Paying Agent or its agent maintained in connection with the Notes), provided that, for the avoidance of doubt, the Trustee may open for the Issuer's benefit the Cost Account and provided further that, for the avoidance of doubt, in the case that the short term debt rating of the Transaction Account Bank falls below the Required Rating or is withdrawn or the Transaction Account is closed by the Issuer for Serious Cause (*aus wichtigem Grund*), the Issuer is entitled to open an account replacing the Transaction Account pursuant to Clause 3.2 (*Trustee Claim; Transaction Account*) above,
- (l) lease or otherwise acquire any real property (including office premises or like facilities),
- (m) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person, and
- (n) make any loans or advances to any entity.

The Trustee shall consult with the Bank prior to granting a written consent in accordance with this Clause 16.4 (*Undertakings of the Bank and the Issuer*).

16.5 The Issuer shall, except as contemplated in the Transaction Documents:

- (a) conduct its own business in its own name and hold itself out as a separate entity from any other person or entity,
- (b) pay its own liabilities out of its own funds,
- (c) observe all corporate formalities and other formalities required by its constitutional documents, and
- (d) to the extent required for the purposes of the Transaction use best efforts to obtain an exemption certificate in respect of German withholding tax (*Dauerüberzahlerbescheinigung*) pursuant to Section 44a paragraph 5 (*Abstandnahme vom Steuerabzug*) of the German Income Tax Act (*Einkommensteuergesetz*).

16.6 The Bank will, on behalf of all Servicers, deliver to the Trustee such reports and information at such times as specified in the Terms and Conditions and/or the Trust Agreement. The Bank has agreed or will agree in cases where it is not the servicer with each other Servicer that it will provide the Trustee with such information at such time as is necessary for the purposes of the preceding sentence.

17 Actions Requiring Consent

If the Issuer, the Counterparty or the Bank requests that the Trustee grant its consent or waiver pursuant to the Trustee Documents or otherwise under the Transaction Documents, the Trustee may grant or withhold the requested consent or waiver at its discretion, taking into account the interests of the Transaction Creditors.

18 Retaining of Third Parties

18.1 The Trustee may delegate the performance of its Trustee Duties, in whole or in part, to vicarious agents (*Erfüllungsgehilfen*, § 278 of the German Civil Code

(*Bürgerliches Gesetzbuch*) independent of the Arranger. A more extensive delegation of the Trustee Duties is not permitted. The Trustee intends to delegate the Trustee Duties in connection with the loss verification procedure (as substantially set out under Clauses 8.1 and 8.2 (*Verification; Confirmation of Loss Allocation; Initiation of Procedures*)) to the extent required to any bank, financial services institution or auditing or law firm of recognised standing independent of any Bank Entity, the Senior Swap Counterparty and the Counterparty which has its principal office in Ireland or the United Kingdom, acting as vicarious agents of the Trustee according to this Clause 18.1 (*Retaining of Third Parties*). If the Trustee considers any deviation from the delegation described in the preceding sentence to be more appropriate for the fulfilment of the Trustee Duties referred to in the preceding sentence, the Trustee will inform the Issuer, the Bank, the Senior Swap Counterparty and the Counterparty accordingly.

- 18.2** The Trustee is responsible for any acts performed by any service provider acting as vicarious agent for the Trustee in fulfilling the Trustee Duties delegated to such service provider pursuant to Clause 18.1 (*Retaining of Third Parties*).
- 18.3** The Trustee shall promptly notify the Rating Agencies, the Bank, the Issuer, the Senior Swap Counterparty and the Counterparty of every instruction of a third party made pursuant to Clause 18.1 (*Retaining of Third Parties*).
- 18.4** For the purposes of appointing an Expert or Value Experts, the Trustee shall only be liable for the exercise of due care in the selection of such Expert and/or Value Experts. The Trustee shall not be liable for the performance of such Expert and/or Value Experts.

19 Advisors; Reliance on Information

- 19.1** The Trustee is authorised, in connection with the performance of the Trustee Duties, at its own discretion, to seek information and advice from an Advisor at market prices (if appropriate, after obtaining several offers).
- 19.2** The Trustee may rely on such information and advice without having to make its own investigations. The Trustee shall not be liable for any damages or losses caused by its acting reasonably in reliance on information or advice of the Advisors. The Trustee shall not be liable for any negligence and/or wilful misconduct of the Advisors. The Trustee shall only be liable for the exercise of due care in the selection of any Advisor.

20 Fees and Reimbursement of the Trustee

- 20.1** For the performance of the Trustee Duties the Issuer will pay the Trustee a fee which shall be separately agreed between the Issuer and the Trustee with the consent of the Bank.
- 20.2** The Issuer shall bear all reasonable costs and disbursements (including costs incurred in obtaining legal advice and the costs of other Advisors) incurred, and, after reasonable consultation, if practicable, with the Bank and the Counterparty, pay all reasonable advances requested, by the Trustee in connection with the performance of the Trustee Duties (including, without limitation, under Clause 25.4

(*Issuer Costs*)), including the costs and disbursements in connection with the Procedures and appointment of any Expert or the Value Experts.

21 Fees and Expenses of the Expert and the Value Experts

The Issuer shall reimburse the Trustee for all reasonable fees, costs and disbursements (including costs of the Expert's and a Value Experts' advisors) payable by the Trustee to any Expert and/or Value Experts.

22 Right to Indemnification

The Issuer shall indemnify the Trustee against all losses, liabilities, obligations (including any taxes other than taxes on the Trustee's overall income or gains, which are imposed in the future on the services under this Trust Agreement), actions in and out of court and costs and disbursements incurred by the Trustee in connection with this Trust Agreement, unless such losses, liabilities, obligations, actions, costs and disbursements are incurred by the Trustee due to a breach of the standard of care provided for in Clause 26 (*Standard of Care*).

23 Taxes

23.1 The Issuer shall pay all stamp duties, registration or other taxes to which any of the Transaction Documents or any part of the Transaction may at any time be subject.

23.2 All payments of fees and reimbursements of expenses to the Trustee shall be increased by the amount of any turnover taxes, value added taxes or similar taxes, other than taxes on the Trustee's overall income or gains, which are imposed in the future on the services under this Trust Agreement.

24 Termination; Replacement

24.1 Without prejudice to Clause 24.5 (*Termination; Replacement*), the Trustee may only resign as Trustee for Serious Cause (*aus wichtigem Grund*) at any time.

24.2 Subject to Clause 24.3 (*Termination; Replacement*), the Issuer shall be authorised and obliged to revoke the appointment of the Trustee as trustee under this Trust Agreement and give immediate notice thereof to the Bank, the Rating Agencies, the Senior Swap Counterparty and the Counterparty (i) upon the occurrence of Serious Cause (*aus wichtigem Grund*), (ii) after having been so instructed in writing by the Senior Swap Counterparty upon the occurrence of Serious Cause (*wichtiger Grund*) and/or (iii) (A) after having been so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding upon the occurrence of Serious Cause (*aus wichtigem Grund*) or (B) if the continued appointment of the Trustee in its capacity hereunder would result in the downgrading or withdrawal of the then current rating of any Class of Notes by any Rating Agency (having received written information from such Rating Agency).

24.3 In the case of insolvency, liquidation or Corporate Restructuring of the Issuer, the Trustee shall be obliged to resign, and shall give immediate notice thereof to the Bank, the Counterparty, the Rating Agencies, the Senior Swap Counterparty and the Issuer (i) after having been so instructed in writing by the Senior Swap Counterparty upon the occurrence of Serious Cause (*wichtiger Grund*) and/or (ii) (A) after having

been so instructed in writing by Noteholders representing at least 25% of the aggregate Note Principal Amount of the Notes then outstanding upon the occurrence of Serious Cause (*aus wichtigem Grund*) or (B) if the continued appointment of the Trustee in its capacity hereunder would result in the downgrading or withdrawal of the then current rating of any Class of Notes by any Rating Agency (having received written information from such Rating Agency).

- 24.4** Notwithstanding the provisions of Clauses 24.1 through 24.3 (*Termination; Replacement*) above, in the event that the Issuer does not comply with its obligation pursuant to Section 5.2 (*Trustee – Obligation to Maintain a Trustee*) of the Terms and Conditions or such non-compliance, in the reasonable opinion of the Bank, is imminent, the Bank shall use reasonable endeavours to appoint a successor trustee.
- 24.5** Any resignation by the Trustee in accordance with Clause 24.3 (*Termination; Replacement*), any revocation of the appointment of the Trustee in accordance with Clause 24.2 (*Termination; Replacement*) or any appointment in accordance with Clause 24.4 (*Termination; Replacement*) shall become effective only upon (i) the appointment by the Issuer or, in case of Clause 24.3 (*Termination; Replacement*), the Trustee on behalf of the Transaction Creditors or, in case of Clause 24.4 (*Termination; Replacement*), the Bank, of a successor trustee, which must be a bank, financial services institution or auditing or law firm of recognised standing independent of the Bank, the Senior Swap Counterparty and the Counterparty which has its principal office in Ireland, Germany or the United Kingdom and with respect to which S&P confirms that the appointment of such successor trustee will not result in a withdrawal of the rating in respect of, or downgrading of any class of the Notes, (ii) the transfer to such successor trustee of all authorities and powers granted to the Trustee under this Trust Agreement and the other Transaction Documents, and (iii) the acceptance by such successor trustee of such appointment and of the rights and obligations under the Trust Agreement. In the case of Clause 24.1 (*Termination; Replacement*), the Trustee shall use all reasonable efforts to appoint a successor trustee not later than on the Trustee Resignation Effective Date and for so long as no successor trustee has been appointed, the Issuer and the Bank shall have the right, in consultation with each other, the Senior Swap Counterparty and the Trustee, to appoint a successor trustee and each of them shall use all reasonable efforts to appoint a successor trustee not later than the 2nd Business Day prior to the Trustee Resignation Effective Date. In the case of Clause 24.2 and 24.3 (*Termination; Replacement*), respectively, the Bank and the Issuer shall use all reasonable efforts in consultation with the Senior Swap Counterparty to appoint a successor trustee which meets the requirements set forth in Clause 24.5(i) (*Termination; Replacement*) not later than on the date on which such termination becomes effective.
- 24.6** The costs incurred in connection with replacing the Trustee pursuant to Clauses 24.1 through 24.4 (*Termination; Replacement*) shall be borne by the Issuer. If the replacement pursuant to Clause 24.2, 24.3 or 24.4 (*Termination; Replacement*) is due to the Trustee's conduct not complying with the standard of care applied by a prudent merchant (*Sorgfalt eines ordentlichen Kaufmanns*), the Issuer shall be entitled, without prejudice to any additional rights, to demand from the Trustee the payment of an amount equal to such costs.
- 24.7** The successor trustee appointed in accordance with Clause 24.5 (*Termination; Replacement*) shall give notice of the appointment, including its address, without

delay to the Issuer, the Bank, the Rating Agencies and the Counterparty, as relevant, in accordance with this Trust Agreement, and to the Noteholders in accordance with the Terms and Conditions, or, if this is not possible, in any other appropriate way, and to the Senior Swap Counterparty pursuant to the Senior Swap, respectively.

- 24.8** The Trustee shall provide the successor trustee with a reasonably detailed report regarding its activities under or in connection with this Trust Agreement.
- 24.9** Upon the effectiveness of any replacement of the Trustee pursuant to Clause 24.5 (*Termination; Replacement*), the Trustee shall be released from the Trustee Duties but shall continue to be entitled to payments due to it under this Trust Agreement and outstanding as of the date of the effective replacement of the Trustee. For the avoidance of doubt, the replacement of the Trustee shall not release the Trustee from its obligations under this Trust Agreement arising prior to or in connection with the replacement. In the case of a replacement of the Trustee, all references herein to the Trustee shall be deemed to be references to the successor trustee.
- 24.10** Without prejudice to Clause 24.9 (*Termination; Replacement*) above, if the Trustee's appointment is terminated other than in cases where the Trustee resigned for Serious Cause (*aus wichtigem Grund*), the Trustee shall, as a post-contractual duty, continue to perform the Trustee Duties until the earlier of (a) the effective replacement of the Trustee by a successor trustee, or (b) the Actual Date of Redemption.

25 Issuer Costs

- 25.1** The Bank undertakes to pay to the Issuer on each Payment Date, the Issuer Costs for the immediately preceding Cost Calculation Period.
- 25.2** The Issuer shall notify, to the extent known, the amount of the Issuer Costs payable on each Payment Date, specify the components of such amount in reasonable detail and provide copies of the relevant invoices to the Bank not later than the 5th Business Day prior to such Payment Date.
- 25.3** Without prejudice to the provisions of Clause 25.1 (*Issuer Costs*) above, in the event that any amount of the Issuer Costs falls due on any day other than a Payment Date or following the repayment of the Notes and no advance has been made in respect of such payment, the Bank shall within 5 Business Days following the receipt of a written request from the Issuer pay such due amounts specified in reasonable detail in such request.
- 25.4** In the event that the short term rating of the Bank falls below the Short Term Rating Requirement
- (a) The amount available on the Cost Account shall at all times equal a minimum of €70,000. For this purpose, the Bank shall pay within 10 Business Days of a written request by the Trustee an amount equal to the difference between (i) the amount held in said account and (ii) €70,000.
 - (b) The Trustee shall be obliged to invest the balance of the Cost Account with a bank located in a EU country and complying with the Short Term Rating Requirement, provided that the Trustee must be able to dispose of such investment on a daily basis. The Trustee shall procure that any accrued interest will be passed on to the Bank, and shall return to the Bank any

funds exceeding €70,000. The Trustee shall also procure that the balance of the Cost Account will be paid back to the Bank on the earlier of (x) the Payment Date on which the Bank complies again with the Short Term Rating Requirement, (y) the date as of which none of the Notes are outstanding and (z) the Legal Maturity Date.

- (c) Funds on the Cost Account may only be withdrawn by the Trustee and may be used by the Trustee only to cover Issuer Costs in accordance with this Clause 25 (*Issuer Costs*). In particular, the Trustee shall only incur any Extraordinary Costs if the balance on the Cost Account is sufficient to cover such Extraordinary Costs and other costs expected to arise in the following 3 months.

26 Standard of Care

The Trustee shall be liable for breach of its obligations under this Trust Agreement only if and to the extent that it fails to meet the standard of care of a prudent merchant (*Sorgfaltspflicht eines ordentlichen Kaufmanns*).

27 Extent of Liability

Without prejudice to the provisions of Clause 26 (*Standard of Care*), the Trustee shall not be liable for (i) any action of the Issuer or Issuer's failure to act, (ii) the Notes, the Trustee Collateral, the Noteholder Collateral or the Reference Obligations being legal, valid, binding or enforceable, or for the fairness of the provisions of the Terms and Conditions, (iii) a loss of documents related to the Reference Pool and the Reference Obligations not attributable to negligence of the Trustee, and (iv) the Bank's breach of its obligations to submit any Report and any other documents, information or to provide access and facilities to the Trustee or an Expert or the Value Experts.

28 Confidentiality

28.1 The Trustee shall ensure that its auditors, each Expert and the Value Experts and their respective auditors, if relevant, and each Advisor as well as each third party retained in accordance with Clause 18 (*Retaining of Third Parties*) shall treat as confidential any information concerning the Reference Obligations, including information concerning the Borrowers, the providers of Reference Collateral and the business operations of the Servicers and the Counterparty obtained in connection with the performance of their respective duties for the purposes of this Trust Agreement. The Trustee shall only disclose such information (i) to its auditors, an Expert or the Value Experts duly appointed under this Trust Agreement and/or their respective auditors, if relevant, or an Advisor or a third party retained in accordance with Clause 18 (*Retaining of Third Parties*), in each case to the extent that disclosure of such information is necessary for the performance of their duties for the purposes of this Trust Agreement, (ii) if such information is or becomes generally known in a manner not attributable to the Trustee, (iii) if the Trustee is legally required to disclose such information or (iv) if the disclosure of such information by the Trustee is legally permitted and necessary to enforce any rights arising from the Notes or the other Transaction Documents.

28.2 The Trustee shall ensure that each Expert and the Value Experts appointed under this Trust Agreement, prior to its appointment taking effect, each auditor of the

Trustee and each Advisor of the Trustee and each third party retained by the Trustee in accordance with Clause 18 (*Retaining of Third Parties*) which is to perform any duty pursuant to this Trust Agreement, prior to the commencement thereof, signs a confidentiality undertaking in such form as the Trustee may, in its professional judgement require having regard to the nature of the relevant matter, for the benefit of the Trustee, the Counterparty and the Bank to the effect that the Expert, the Value Experts, the auditor, the Advisor or the third party retained as relevant, shall treat as confidential any information concerning the Reference Obligations, including information concerning the Borrowers, the providers of the Reference Collateral and the business operations of the Servicers and the Counterparty obtained in connection with the performance of its duties in connection with this Trust Agreement.

28.3 Notwithstanding Clause 28.2 (*Confidentiality*) above, the Bank may, at its sole discretion and at any time, request each Expert and the Value Experts appointed under this Trust Agreement and each auditor of the Trustee, Expert or Value Experts, Advisor or third party retained under Clause 18 (*Retaining of Third Parties*) which is to perform any duty pursuant to this Trust Agreement to sign a confidentiality undertaking in such form as the Bank may, in its professional judgement require to the effect that the Expert, Value Experts or auditor, as relevant, shall treat as confidential any information concerning the Reference Obligations, including information concerning the Borrowers, the providers of the Reference Collateral and the business operations of the Bank, the Servicers and the Counterparty obtained in connection with the performance of its duties in connection with the Trust Agreement.

29 Limited Recourse and Non-Petition; Priority of Payments

29.1 Notwithstanding any other provision of this Trust Agreement, the Trustee, the Counterparty and the Bank shall have recourse in respect of any claim against the Issuer hereunder or otherwise only in accordance with the Priority of Payments. The obligations of the Issuer under this Trust Agreement will not be obligations or responsibilities of, or guaranteed by, any other person or entity. The Issuer will have no assets available for payment of its obligations hereunder other than the amounts received under the Transaction Documents and other assets of the Issuer (excluding, with respect to all obligations hereunder other than the Trustee Claim, the Certificates). Claims in respect of any shortfall will be extinguished and the failure to make any payment in respect of any such shortfall will in no circumstances constitute default by the Issuer. Neither the Trustee nor the Bank nor the Counterparty may take steps against the Issuer to recover any sum so unpaid and, in particular, each of the Trustee, the Bank and the Counterparty shall not petition or take any other step or action for the liquidation or dissolution of the Issuer nor for the appointment of an insolvency administrator, liquidator or other person in respect of the Issuer or its assets until the expiration of a period of two years and one day following payment of all amounts payable under the Notes.

29.2 On any Payment Date, (a) any amounts received from or on behalf of the Counterparty under the Certificates, including any proceeds from the foreclosure on the Certificates, shall be applied by the Issuer exclusively to satisfy the payment obligations of the Issuer under the Notes in the Order of Seniority, *provided that* any amount applied to a particular Class of Notes shall be applied first, to interest and

second, to principal on such Class, and only the excess credit available on the Transaction Account (if any) shall be applied to satisfy any other payment obligation(s) of the Issuer; and (b) any credit available on the Transaction Account shall be applied (subject to (a) above) in the following order towards fulfilling the payment obligations of the Issuer in respect of:

- (a) *first*, any annual return or exempt company fees and any other amounts due to governmental or revenue authorities in the Federal Republic of Germany or elsewhere;
- (b) *second*, any fees, costs and disbursements payable to the directors, the auditors and the legal advisers of the Issuer at the respective account as notified by such directors, auditors and legal advisers to the Issuer;
- (c) *third*, any fees, costs and disbursements (including any fees, costs and disbursements of any Expert, Value Experts or Advisors) payable to the Trustee in accordance with this Trust Agreement at the account as notified by the Trustee to the Issuer;
- (d) *fourth*, any fees, costs and disbursements payable to the Principal Paying Agent and the Irish Paying Agent in accordance with the Agency Agreement at the account as notified by the Principal Paying Agent and the Irish Paying Agent (as applicable) to the Issuer;
- (e) *fifth, pari passu*, any fees, costs and disbursements payable to the Administrator in accordance with the Administration Agreement and to the Transaction Account Bank in accordance with the Transaction Account Agreement at the account as notified by the Administrator and the Transaction Account Bank, respectively, to the Issuer;
- (f) *sixth*, interest on the Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, in this order sequentially, in accordance with the Terms and Conditions, to the Principal Paying Agent at the account notified by the Principal Paying Agent to the Issuer for on-payment to the accounts of the relevant Euroclear Participants and Clearstream, Luxembourg Participants;
- (g) *seventh*, principal on the Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, in this order sequentially, in accordance with the Terms and Conditions, to the Principal Paying Agent at the account notified by the Principal Paying Agent to the Issuer for on-payment to the accounts of the relevant Euroclear Participants and Clearstream, Luxembourg Participants;
- (h) *eighth*, any amounts payable in respect of any other obligation of the Issuer (including, without limitation, any indemnification obligation of the Issuer vis-à-vis the directors, auditors or legal advisers to the Issuer, the Trustee, the Principal Paying Agent, the Transaction Account Bank, the Lead Manager or the Administrator) to the relevant obligee at the account that it notifies.

30 Communications

30.1 All notices to Noteholders under this Trust Agreement shall be given in accordance with Section 18 (*Form of Notices*) of the Terms and Conditions. All communications under this Trust Agreement shall be made by e-mail, mail or fax, *provided that* notices regarding termination of this Trust Agreement or the replacement of the Trustee given by e-mail or fax shall promptly be confirmed by mail.

30.2 Any communication under this Trust Agreement shall be in English.

30.3 Subject to written notification of any change of address, all notices under this Trust Agreement to the parties set out below shall be directed to the following addresses:

(a) if to the Trustee:

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft
Schwannstraße 6
40476 Düsseldorf
Federal Republic of Germany

Attn.: Mr. Ulrich Lotz

Telephone: +49 (0)211 8772-2375

Telefax: +49 (0)211 8772-2441

(b) if to the Issuer:

Essential Public Infrastructure Capital II GmbH
Eysseneckstraße 4
60322 Frankfurt am Main
Federal Republic of Germany

Attention: The Directors

Telephone: +49 (0)69 944 111 99

Facsimile: +49 (0)69 255 773 99

(c) if to the Bank:

DEPFA BANK plc
1 Commons Street
Dublin 1
Ireland

Attn.: Ms Siobhan O'Brien, Infrastructure Finance Unit

Telephone: +353 1 792 2384

Telefax: +353 1 792 2164

and

DEPFA BANK plc
London Branch
105, Wigmore Street
London
England

Attn.: Mr Andrew Bride

Telephone: +44 20 7290 8451
Telefax: +44 20 7290 8477

(d) if to the Counterparty:

KfW
Palmengartenstraße 5-9
60325 Frankfurt am Main Germany

Attn.: TMB4-Collateral Management/Loan Securitisation

E-mail: epic2@kfw.de
Telephone: (+49) 69 7431-0
Telefax: (+49) 69 7431- 3930

(e) if to the Senior Swap Counterparty:

as separately identified to the Trustee from time to time

(f) if to S&P:

Standard & Poor's
Structured Finance
20 Canada Square, 11th Floor
Canary Wharf
E14 5LH London
United Kingdom

Attn.: European Surveillance

E-mail: europeansurveillance@standardandpoors.com
Telefax: +44-7176-3595

(g) if to Fitch:

Fitch Ratings
CDO Performance Analytics
101 Finsbury Pavement
EC2A 1RS London
United Kingdom

Attn.: CDO Performance Analytics

E-mail: london.cdosurveillance@fitchratings.com
Telefax: +44 207 417 4224

31 Severability Clause

If any provision of this Trust Agreement is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby.

32 Amendments

32.1 This Trust Agreement including this Clause 32.1 (*Amendments*) may only be amended by agreement of all parties hereto in writing. The Trustee shall only agree with any amendment in mutual agreement with the Rating Agencies, provided that

such amendment shall not affect the general principle of Clause 2.2 (*Position of the Trustee*) hereof.

32.2 For the avoidance of doubt standard business terms and conditions of the Bank as well as of the Trustee shall not apply with respect to the Transaction.

33 Governing Law; Place of Performance; Jurisdiction

33.1 This Trust Agreement shall be governed by the laws of the Federal Republic of Germany.

33.2 The place of jurisdiction for any action or other legal proceedings arising out of or in connection with this Trust Agreement shall be the District Court (*Landgericht*) in Frankfurt am Main (non-exclusive jurisdiction). The Issuer and the Bank hereby submit to the jurisdiction of such court.

33.3 For any action instituted against the Bank before the courts in the Federal Republic of Germany in connection with this Trust Agreement, the Bank hereby grants to DEPFA Deutsche Pfandbriefbank AG, An der Welle 5, 60322 Frankfurt, Federal Republic of Germany the power of attorney to accept service of process on its behalf as process agent (*Zustellungsbevollmächtigter*).

34 Condition Precedent

This Trust Agreement and the rights and obligations hereunder are subject to the condition precedent that the Notes will be issued and that the Issuer's claim for the payment of the subscription moneys for the Notes will be satisfied pursuant to the Subscription Agreement.

35 Counterparts

This Trust Agreement may be executed in one or more counterparts. Each signed counterpart shall constitute an original. Schedules attached hereto constitute an integral part of this Trust Agreement.

DESCRIPTION OF THE REFERENCE POOL

Reference Pool Provisions

The Reference Pool is constituted in accordance with and must comply with the Reference Pool Provisions. The following is the text of the Reference Pool Provisions which are attached as Appendix B to the Terms and Conditions and constitute an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Reference Pool Provisions and elsewhere in this Prospectus, the definition in the Reference Pool Provisions will prevail.

1 General

The Reference Pool will consist of Reference Obligations, including Partial Obligations, which may be held by or for the benefit of a Bank Entity for the payment of principal arising from the financing of public private partnership based infrastructure projects. These Reference Obligations may have been originated by the relevant Bank Entity or acquired by the relevant Bank Entity from a third party, or may be Reference Obligations in which the relevant Bank Entity has acquired an economic interest by way of Subparticipation, in each case pursuant to the Credit and Collection Policies of the relevant Bank Entity applicable at the relevant time which are included in the Reference Pool as of the Cut-off Date or from time to time thereafter as of any Replenishment Date in accordance with Provision 2.1 (*Reference Obligations – Identification*) and not removed from the Reference Pool pursuant to Provision 9 (*Removals*).

The Reference Obligations are denominated in Sterling, US\$, Euros, Japanese Yen or the lawful currency of the Relevant Country. On any Re-set Date, the Bank may in accordance with Provision 2.3 (*Reference Obligations – Non-€ Reference Obligations; Re-sets*) below re-set the Outstanding € Equivalent Amount of any Non-€ Reference Obligation by a new Outstanding € Equivalent Amount determined by application of a current Bank Exchange Rate, provided that the Re-set Conditions are met.

The aggregate Outstanding Nominal Amount of the Reference Obligations included in the Initial Reference Pool was €718,054,748. For the avoidance of doubt under certain circumstances the size of the Reference Pool may be increased to €900,000,000.

2 Reference Obligations

2.1 Identification

Each Reference Obligation forming part of the Initial Reference Pool as of the Cut-off Date and as of the Issue Date has been, and each Reference Obligation subsequently added to the Reference Pool as of any Replenishment Date will be, identified to the Trustee in a Reference Obligation List delivered to the Trustee on or before the Issue Date and on each Replenishment Date.

Further details regarding each Reference Obligation and the Reference Collateral are contained in the related records of the relevant Bank Entity. Such records are attributable to the relevant Reference Obligation by its name.

The means of identification for the Reference Obligations may change provided that the Reference Obligations shall remain identifiable in the records of the relevant Bank Entity.

2.2 Restructuring and Rescheduling of Reference Obligations

If, as a result of debt restructuring or payment rescheduling in compliance with the Servicing Standards which does not result in the occurrence of a Credit Event, any Reference Obligation is replaced by a New Reference Obligation, the following shall apply:

- (a) Such Reference Obligation shall be substituted by a portion of the New Reference Obligation the Outstanding Nominal Amount of which shall not exceed the Outstanding Nominal Amount of the relevant Reference Obligation immediately prior to such substitution less the Maturity Overrun Amount, if any.
- (b) The New Reference Obligation shall be treated, as from the substitution, for all purposes as if it were such Reference Obligation and therefore, a Credit Event which had occurred in respect of such Reference Obligation prior to the substitution shall be deemed to have occurred on the New Reference Obligation.

Such replacement of a Reference Obligation by a New Reference Obligation:

- (i) shall become effective as of the final day of the Collection Period immediately preceding the Payment Date on which such replacement is to take place, and
- (ii) may occur during and after the Replenishment Period.

2.3 Non-€ Reference Obligations; Re-sets

- (a) The Bank shall specify in the relevant Reference Obligation List in respect of each Non-€ Reference Obligation the Initial Exchange Rate.
- (b) On any Re-set Date, the Bank may carry out a Re-set provided that the following Re-set Conditions are met:
 - (i) Re-set may be carried out with respect to a Non-€ Reference Obligation only if:
 - (aa) on any Re-set Date, the application of the relevant Bank Exchange Rate on such Re-set Date results in a decrease of the Outstanding € Equivalent Amount of such Non-€ Reference Obligation, provided that no Re-set shall be made in respect of a Non-€ Reference Obligation, in respect of which a Credit Event Notice has been given, or
 - (bb) on any Re-set Date during the Replenishment Period, the application of the relevant Bank Exchange Rate on such Re-set Date results in an increase of the Outstanding € Equivalent Amount of such Non-€ Reference Obligation, provided that, as a consequence thereof, on the relevant Re-set Date the Replenishment Capacity is not exceeded;
 - (ii) the new Outstanding € Equivalent Amount of the respective Non-€ Reference Obligations will be determined by multiplying the Outstanding Currency Amount by the Bank Exchange Rate prevailing on such Re-set Date;
 - (iii) the relevant Bank Entity provides the Trustee with each new Outstanding € Equivalent Amount and the new Exchange Rate as part of the relevant Re-set Information pursuant to paragraph (e) below;

- (iv) in respect of a Re-set pursuant to Provision 2.3(b)(i)(bb) (*Non-€ Reference Obligations; Re-sets*) the Replenishment Criteria other than the Replenishment Criteria set out in Provision 5.4 (*Replenishment – Construction pass-down*) and, in respect of Reference Obligations included in the Initial Reference Pool only, Provision 5.12 (*Replenishment – Minimum DSCR*) of the Reference Pool Provisions have to be complied with as if the increase in each Outstanding € Equivalent Amount caused by such Re-set were a Replenishment; and
- (v) such Re-set has to be made for all (but not only some) Non-€ Reference Obligations denominated in the Re-set Currency, provided that in the following cases a Re-set may be made on the basis of single or selected Non-€ Reference Obligations:
 - (aa) a Re-set is excluded in respect of a Non-€ Reference Obligation due to the giving of a Credit Event Notice in relation to such Non-€ Reference Obligation in which case the unaffected Non-€ Reference Obligations denominated in the relevant Re-set Currency (in toto, but not some only) may be subject to Re-set,
 - (bb) the Replenishment Criteria are breached in respect of a specific Reference Obligation or specific Obligations in which case the unaffected Non-€ Reference Obligations denominated in the relevant Re-set Currency may (in toto, but not some only) be subject to Re-set,
 - (cc) the Replenishment Criteria relating to multiple Reference Obligations are breached in which case the Bank may select the Non-€ Reference Obligations which shall be subject to Re-set such that a breach of such Replenishment Criteria is avoided, and
 - (dd) the Replenishment Capacity is insufficient to allow for a Re-set of all Non-€ Reference Obligations denominated in the relevant Re-set Currency in which case the Bank may select the Non-€ Reference Obligations which shall be subject to Re-set such that the Replenishment Capacity will suffice.
- (c) Each Re-set made in accordance with paragraph (b) above shall become effective as of 12:00 p.m. Frankfurt am Main time on the Re-set Date, and upon effectiveness, the new Outstanding € Equivalent Amounts determined with respect to the relevant Non-€ Reference Obligations shall replace the previous Outstanding € Equivalent Amounts of such Non-€ Reference Obligations.
- (d) If in respect of a Re-set of the Outstanding € Equivalent Amount of a Non-€ Reference Obligation, any of the Re-set Conditions (other than the condition relating to the Re-set Information) is not complied with as of the Re-set Date, all Re-sets as of such Re-set Date of the Non-€ Reference Obligations denominated in the same Re-set Currency as the Non-€ Reference Obligation in respect of which the non-compliance occurred shall have no effect and the Outstanding € Equivalent Amounts of the relevant Non-€ Reference Obligations shall not be affected by such purported Re-sets.

- (e) At the latest on the Report Date following each Re-set Date, the Bank shall provide to the Trustee the Re-set Information as part of the relevant Pool Report referencing to:
 - (i) the identification number and, if relevant, other identifiers attributed to each relevant Non-€ Reference Obligation,
 - (ii) the old and the new applicable Exchange Rate for each Non-€ Reference Obligation,
 - (iii) the Outstanding € Equivalent Amount and the Outstanding Currency Amount of each Non-€ Reference Obligation with respect to which a Re-set was effected as of such Re-set Date; and
 - (iv) the Scheduled Obligation Nominal Amount for each future date as adjusted by the relevant Re-set Ratio.
- (f) The Outstanding € Equivalent Amount and the Exchange Rate with respect to each Non-€ Reference Obligation, as well as reasonable details of the determination thereof, shall be available in the records of the Bank and/or the relevant Servicer.
- (g) Any Late Recovery in respect of a Non-€ Reference Obligation received in the currency of such Reference Obligation shall be converted for the purpose of Section 14 (*Late Recoveries*) of the Terms and Conditions at the Exchange Rate prevailing in relation to such Non-€ Reference Obligation at the date as of which the corresponding Credit Event Notice was given.
- (h) Any Collections received with respect to a Non-€ Reference Obligation will not be converted into € and will reduce directly the outstanding principal amount of such Reference Obligation pursuant to the underlying Reference Obligation documentation.

2.4 Liquidated Reference Obligations

With effect from the day following the day on which Realised Losses have been allocated, the Liquidated Reference Obligation giving rise to such Realised Losses shall be deemed to have been removed from the Reference Pool. Late Recoveries on such Liquidated Reference Obligations must be reported in accordance with Clause 7 (*Reports; Documents; Information*) of the Trust Agreement.

3 Reference Collateral

A Reference Obligation may (subject to Provision 4.22 (*Eligibility Criteria – Reference Collateral*)) be secured by Reference Collateral (or a portion thereof) held or acquired from time to time by or on behalf of the relevant Lender, or, in the case of a Subparticipation, the Participant, or by a third party for the rateable benefit of, *inter alia*, the relevant Lender, or, in the case of a Subparticipation, the Participant.

Each Bank Entity may at any time release, or agree or cause to be released, any Reference Collateral, if it in its professional judgement concludes that:

- 3.1** it is required to do so by applicable law or in accordance with the contractual arrangements constituting the Reference Obligation or Replenishment Obligation (as applicable) on the date on which that loan became a Reference Obligation or the

Replenishment Date (as the case may be), in each case as subsequently amended in accordance with the Servicing Standards;

- 3.2 the release relates to Reference Collateral referred to in sub-paragraph "(a)" of the definition of "Reference Collateral" and the Reference Collateral to be released relates to assets which are either (a) to be replaced such that alternative Reference Collateral will be created in relation to the replacement assets or (b) redundant in the context of the Relevant Project; or
- 3.3 the release relates to Reference Collateral referred to in sub-paragraph (b) of the definition of "Reference Collateral" and the release is to be made in accordance with the Servicing Standards and the Credit and Collection Policies.

4 Eligibility Criteria

The following Eligibility Criteria shall be met, except as otherwise expressly provided, (i) as of the Issue Date in respect of each Reference Obligation which is not a Replenishment Obligation and (ii) as of each Replenishment Date in respect of each Replenishment Obligation added to the Reference Pool on such date:

- 4.1 *Borrower*: The Borrower in respect of the Reference Obligation is either (a) a Project Contractor or (b) a Project Funding Vehicle;
- 4.2 *Incorporation*: The Project Contractor and any Project Funding Vehicle is incorporated with either indefinite duration or a duration which extends for at least the term of the Relevant Project Agreement (or, in the case of unincorporated entities, has been created for such a duration) and has its registered office or principal place of business, in an Eligible Country;
- 4.3 *Project Funding Vehicle*: If the Borrower is a Project Funding Vehicle, then its obligations in respect of the Reference Obligation are either (i) guaranteed by the relevant Project Contractor or (ii) otherwise structured so that repayment/payment of the relevant Reference Obligation can be made in whole and on time as payments fall due out of payments required to be made by the Project Contractor to the Project Funding Vehicle;
- 4.4 *Project Contractor*: the relevant Project Contractor has entered into an Eligible Project Agreement in relation to an Eligible Project;
- 4.5 *Eligible Project Agreement*: the Relevant Project Agreement is a project agreement or a concession agreement with an Eligible Public Sector Entity;
- 4.6 *Eligible Public Sector Entity*: the Relevant Public Sector Entity is either:
 - (a) the central government of an Eligible Country;
 - (b) any local, regional, state or provincial authority or other unit of local, regional, state or provincial government within an Eligible Country;
 - (c) any entity which is an office, agency or instrumentality of central government of an Eligible Country or of a local, regional, state or provincial authority or unit of local, regional, state or provincial government within an Eligible Country and which is used by central government or that local, regional, state or provincial authority or unit of local, regional, state or

provincial government (as applicable) to arrange the delivery of and/or management of an Eligible Project;

- 4.7** *Eligible Country:* The Relevant Country is either:
- (a) a country which is a member state of the European Union;
 - (b) a country which the European Union Council of Ministers has resolved to invite to begin talks with the European Union with a view to that country becoming a member of the European Union, other than Turkey; or
 - (c) a country which currently is a member of the Organisation for Economic Co-operation and Development (OECD) other than Turkey or Mexico;
- 4.8** *Eligible Project:* The Relevant Project consists of all or any part of the financing, design, construction and/or refurbishment, of assets and the operation and/or maintenance of assets with a view to delivering those assets and/or to providing a service to either the Relevant Public Sector Entity, to another part of central or local government in the Relevant Country, or to the general public, in each case, in connection with an Eligible Project Sector and in return for remuneration to be paid by either an Eligible Public Sector Entity or by the general public as users of those assets or services;
- 4.9** *Eligible Project Sector:* The Relevant Project Sector is either:
- (a) prisons, custodial services and/or court buildings or police buildings;
 - (b) nursing homes and/or healthcare;
 - (c) waste disposal and/or sewerage;
 - (d) water origination, purification and/or distribution;
 - (e) schools and/or education;
 - (f) social housing;
 - (g) government buildings or offices and/or other government or civil service accommodation;
 - (h) public sector scientific institutions or buildings;
 - (i) streets, roads and/or road related infrastructure, or urban infrastructure; or
 - (j) heavy rail, light rail, metro and/or underground rail or other forms of public transport;
- 4.10** *Relevant Project Agreement legal, valid, binding and enforceable:* As at the date of execution of the Relevant Project Agreement, the Relevant Project Agreement created legal, valid, binding and enforceable obligations of the Relevant Public Sector Entity in accordance with and subject to its terms, applicable provisions of law (including equity, where applicable) and any assumptions, limitations or qualifications which are customary, market standard or included in any related legal opinions provided to funders in connection with the relevant Reference Obligation or Underlying Project Finance Loan;
- 4.11** *Term of Project Agreement:* The Relevant Project Agreement has a term which expires no sooner than:

- (a) in the case of Reference Obligations for which the Relevant Project is a transport project for which the base case shows that more than 50% of the revenue associated with the project is in the form of payments made by the general public for using that mode of transport, the date falling 18 months after the final scheduled repayment date for the Project Loan or Underlying Project Finance Loan; and
 - (b) in all other cases, the final scheduled repayment date for the Project Loan or Underlying Project Finance Loan.
- 4.12** *Reference Obligation:* The Reference Obligation is either (i) a Project Loan or (ii) a Project Guarantee Indemnity;
- 4.13** *Maturity of Reference Obligation:* the final scheduled repayment date of the Project Loan or Underlying Project Finance Loan is not later than September 2042;
- 4.14** *Currency denomination:* The Reference Obligation is denominated in freely transferable Sterling, US\$, €, Japanese Yen or, provided that such currency is not subject to exchange or other transfer controls which affect the timely payment of principal or interest under the relevant Project Loan or Underlying Project Finance Loan (as applicable), the lawful currency of the Relevant Country;
- 4.15** *Non-convertible into other currency:* The Reference Obligation is not an obligation that is capable in accordance with its terms of being converted, redenominated or payable in a currency other than freely transferable Sterling, US\$, €, Japanese Yen or, provided that such currency is not subject to exchange or other transfer controls which affect the timely payment of principal or interest under the relevant Project Loan or Underlying Project Finance Loan (as applicable), the lawful currency of the Relevant Country;
- 4.16** *Non-convertible in different type:* The Reference Obligation is not an obligation that is capable in accordance with its terms of being converted or exchanged into another type of obligation;
- 4.17** *No contingency:* The Reference Obligation has an outstanding principal and interest balance that pursuant to its terms may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment) and there are no circumstances where the Borrower may require the relevant Bank Entity, or in the case of a Subparticipation, the relevant Participant, to waive its right for payment of any principal or interest amount payable on such Reference Obligation;
- 4.18** *Initial price:* The Reference Obligation has an Initial Price of at least 95%;
- 4.19** *Syndicate decision:* For each Syndicated Reference Obligation there is a procedure set out in the Related Financing Documents, outlining a decision making process between the relevant Syndicate of Lenders;
- 4.20** *Governing Law:* The governing law of the Reference Obligation is that of England and Wales, New York, Germany or the Relevant Country (or any separate state or legal jurisdiction which forms part of the Relevant Country);
- 4.21** *Reference Obligation legal, valid, binding and enforceable:* As of the Issue Date or, in respect of Replenishment Obligations, the Replenishment Date, such Reference Obligation represented legal, valid, binding and enforceable obligations of the relevant Borrower in accordance with and subject to its terms, applicable provisions

of law (including equity, where applicable) and any assumptions, limitations or qualifications which are customary, market standard or included in any related legal opinions provided to funders in connection with the relevant Project Loan or Underlying Project Finance Loan;

- 4.22** *Reference Collateral:* The Reference Obligation is secured by interests in collateral and/or security which are senior to the interests therein of other creditors of the relevant Borrower except such creditors which possess such interests by virtue of applicable law or which possess interests therein which are senior to those of the relevant Bank Entity but which the relevant Bank Entity considers to be reasonable in the context of the Relevant Project and its financing structure, the Relevant Country and the Relevant Project Sector;
- 4.23** *Lender:* The Bank Entity which the Bank specified to the Trustee as creditor or potential creditor of the Reference Obligation is the sole legal and beneficial holder of the right to receive payments and proceeds or equivalent payments and is the beneficial holder of the right to receive proceeds of enforcement of any Reference Collateral relating to that Reference Obligation, unless that Reference Obligation is a Subparticipation, in which case that Reference Obligation is held by the relevant Participant as sole legal owner on terms obliging it to turn-over such payments (or an amount equal to such payments) to the relevant Bank Entity;
- 4.24** *Separate identification:* The Reference Obligation and, if applicable, the related Reference Collateral or, in the case of a Subparticipation, such Subparticipation, can be identified in the files of the relevant Bank Entity on the basis of the relevant Reference Obligation List and can be distinguished from other payment entitlements of the relevant Bank Entity;
- 4.25** *Extension of Reference Obligation and Credit Approval:* The relevant Bank Entity's decision to participate in the Reference Obligation (either as an arranger or by joining the syndication or by way of acquisition from a third party) or to enter into the Subparticipation was made by the relevant credit committee in accordance with the Credit and Collection Policies at the time that the relevant credit committee decision was taken;
- 4.26** *No Grant of Third Party Rights:* Without prejudice to claims preferred by law and save for any rights of subrogation or reimbursement arising in favour of any guarantor, insurer or surety, the relevant Bank Entity has not granted any third party any rights in respect of its rights in the Reference Obligation (or in the case of a Subparticipation of a Reference Obligation, such Subparticipation);
- 4.27** *No liability for performance:* Save for the continued drawing of funds under the relevant Project Loan or Underlying Project Finance Loan (if applicable) or any other contracted funding arrangements made available to the Project Contractor or any Project Funding Vehicle (including any subscription for debt instruments) in each case in accordance with its terms, neither the relevant Bank Entity nor any of its affiliates carries direct, indirect or contingent obligations of liability for the performance of the Reference Obligation or in respect of any related Project Agreement;
- 4.28** *Insurance:* The finance documentation relating to the Project Loan or Underlying Project Finance Loan (as applicable) imposes an obligation on the Project Contractor to maintain insurance cover of a type and at a level that the relevant

Bank Entity considers to be reasonable in the context of the Relevant Project and its financing structure, the Relevant Country and the Relevant Project Sector;

4.29 *No Default.* The relevant Bank Entity has certified to the Trustee that:

- (a) in the case of a Syndicated Reference Obligation or a Sub-Participation, the relevant Bank Entity has not been notified by the relevant Agent Bank (if such Agent Bank is not the relevant Bank Entity) or the relevant Bond Trustee or the relevant Participant as the case may be, and in all cases to the best of its knowledge, it is not aware that an event of default relating to:
 - (i) non-payment,
 - (ii) breach of default cover ratios,
 - (iii) abandonment of the Relevant Project,
 - (iv) repudiation or termination of the Relevant Project Agreement,
 - (v) Bankruptcy,
 - (vi) validity of security,
 - (vii) subordination rights,
 - (viii) invalidity, or
 - (ix) a material breach of the primary construction contract or primary operation and maintenance contract for the Relevant Project which the relevant Bank Entity believes is reasonably likely to result in grounds for termination of the Relevant Project Agreement by the Relevant Public Sector Entity

has occurred and is continuing unwaived in relation to the relevant Reference Obligation; and

- (b) neither the financing structure in place in connection with the Eligible Project did assume in its base case nor the relevant Bank Entity does anticipate that the relevant Borrower's ability to pay the Reference Obligation will be dependent upon the liquidation of such Borrower's physical assets;

4.30 *No Bankruptcy of Project Contractor and Project Funding Vehicle.* The relevant Bank Entity:

- (a) in the case of a Syndicated Reference Obligation or a Subparticipation, has not been notified by the relevant Agent Bank (if such Agent Bank is not the relevant Bank Entity) or Bond Trustee or the relevant Participant as the case may be; and
- (b) in all cases to the best of its knowledge is not aware,

that the Project Contractor or any Project Funding Vehicle is subject to any Bankruptcy;

4.31 *No overdue payment.* No payment of principal or interest on the Project Loan or Underlying Project Finance Loan (as applicable) has been or is overdue or would

but for any applicable grace periods be or have been overdue, except if such overdue payment is caused by administrative errors;

4.32 *No suspension of payment:* No agreement has been concluded or request is outstanding in relation to the Project Loan or Underlying Project Finance Loan (as applicable) according to which its repayment of principal or the payment of interest has been or is proposed to be suspended;

4.33 *No disputes:* There are no disputes, litigation, defences, counterclaims or enforcement procedures pending with respect to the Reference Obligation or any Underlying Project Finance Loan:

- (a) in the case of a Syndicated Reference Obligation or a Subparticipation, which have been notified to the relevant Bank Entity by the relevant Agent Bank (if such Agent Bank is not the relevant Bank Entity) or Bond Trustee or the relevant Participant, as the case may be; or
- (b) in all cases of which the relevant Bank Entity is, to the best of its knowledge, aware;

4.34 *No consent or waiver request:* For the Reference Obligation there are no outstanding requests for consents or waivers, which relate to:

- (a) payment obligations of or the schedule of payments from the Borrower in relation to the Reference Obligation or any Underlying Project Finance Loan;
- (b) the validity of any security granted by the Borrower to the relevant lenders in connection with the Reference Obligation;
- (c) the subordination of any person's rights to those of the relevant lenders under or in connection with the Reference Obligation;
- (d) the suspension or abandonment of the Relevant Project;
- (e) the Project Contractor foregoing or otherwise giving up any rights to receive any payment from the Relevant Public Sector Entity or any user of the assets provided pursuant to the Relevant Project under the Relevant Project Agreement; or
- (f) any event or circumstance entitling the Relevant Public Sector Entity to terminate the Relevant Project Agreement,

in each case, which have been notified in writing to the relevant Bank Entity and in relation to which the relevant Bank Entity or, in the case of a Syndicated Reference Obligation, the relevant Syndicate of Lenders, is currently in the process of making a decision;

4.35 *No restructuring negotiations:* To the best of the Bank's knowledge, the Borrower in relation to the Reference Obligation is not actively engaged in negotiations to restructure such Reference Obligation or any Underlying Project Finance Loan;

4.36 *No material information inaccuracies:* The Bank has no knowledge of any material inaccuracy in any information the Bank has provided with respect to the Borrower, the Eligible Project or the Reference Obligation;

For the avoidance of doubt, compliance with the Eligibility Criteria is a condition to Loss Allocation and does not constitute an obligation of the Bank, the Counterparty, the Trustee or the Issuer.

5 Replenishment

The Bank may, without the consent of the Trustee, add Replenishment Obligations to the Reference Pool on any Payment Date during the Replenishment Period provided that the following Replenishment Criteria are met as of the relevant Replenishment Date as of which a Replenishment is proposed to be made, taking into account the proposed Replenishment:

- 5.1** *Eligibility Criteria:* Each Replenishment Obligation shall meet the Eligibility Criteria as at the relevant Replenishment Date;
- 5.2** *Servicing Standards:* The Servicing Standards have been adhered to in relation to the Replenishment Obligation at all times since the later of:
- (a) the Issue Date, or
 - (b) the date when the Replenishment Obligation was originated or acquired by the relevant Bank Entity;
- 5.3** *Exclusion Criteria:* Except where the Replenishment Obligation is an Increase Amount in relation to a Reference Obligation already included in the Reference Pool, the Replenishment Obligation is not one in respect of which:
- (a) the Relevant Project is one:
 - (i) whose revenue model is based on payments to be received from the general public for using the assets to which the project relates and
 - (ii) where the relevant project asset has not been opened to use by the general public for a period of at least 12 months;
 - (b) the Relevant Project includes provision by the Project Contractor of services relating to satellite, cable or telecommunications;
 - (c) the Relevant Project includes provision by the Project Contractor of services relating to air transport;
 - (d) the Relevant Project includes provision by the Project Contractor of services relating to power generation;
 - (e) the Relevant Project involves the procurement or provision of military equipment or the Relevant Project Agreement requires the Project Contractor to procure or to provide mobile assets which may be sent by a Relevant Public Sector Entity for use or operation in a war zone (whether such war is declared or undeclared);
 - (f) the payment mechanism included in the Project Agreement may give rise to a reduced payment as a consequence of the performance or non-performance of medical care or educational services to the public involving the diagnosis of medical conditions of patients or educational instruction to students, in each case regardless of whether the service provider providing

those medical care services or educational instruction is the Project Contractor or another entity;

unless, in the case of paragraphs (b) to (d) only, that aspect of the Relevant Project is ancillary to the principal purpose of the Relevant Project and is not material in the context of the Replenishment Obligation generally;

- 5.4** *Construction pass-down:* Except where the Replenishment Obligation is an Increase Amount in relation to a Reference Obligation already included in the Reference Pool, if the primary asset that is being built or refurbished pursuant to the Project Agreement is not completed as of the Replenishment Date, responsibility for the completion or refurbishment has ultimately been subcontracted to an entity whose business includes the construction or refurbishment of such asset;
- 5.5** *Construction delay:* If the Replenishment Obligation relates to a Relevant Project where the primary construction phase of the project has not been completed in respect of such Replenishment Obligation as at the relevant Replenishment Date, then either:
- (a) the latest lenders' technical adviser's report provided to the Bank did not indicate that there will be any delay in completion of the construction phase (as compared to the schedule contemplated by or assumed in the Relevant Project Agreement); or
 - (b) the latest lenders' technical adviser's report provided to the Bank did indicate a delay in completion of the construction phase, but also indicated either (i) that completion of the primary construction phase will be achieved within two months of the date scheduled for it under the Relevant Project Agreement (as such date may be extended in accordance with the Relevant Project Agreement) or (ii) that the Project Contractor's revenue stream is not materially dependent upon such completion and, in either case, that report (or other information from the lenders technical adviser provided to the Bank) confirms that the completion undertakings, liquidated damages, insurance cover and payment mechanism included in the Relevant Project Agreement, the relevant construction contract and any other relevant contractual arrangements relating to the Relevant Project are such that no event of default under the Reference Obligation and no termination event (howsoever called) under the Relevant Project Agreement is likely to occur as a result of such delay;
- 5.6** *EU concentration:* On the Replenishment Date the Outstanding Nominal Amount of all Reference Obligations in respect of which the Relevant Country is a member of the European Union constitutes not less than 75% of the aggregate Outstanding Nominal Amount of all Reference Obligations in the Reference Pool;
- 5.7** *Relevant Country concentration:* On the Replenishment Date, the Outstanding Nominal Amount of all Reference Obligations which share the same Eligible Country as the Relevant Country constitutes not more than the following percentages of the aggregate Outstanding Nominal Amount of all Reference Obligations in the Reference Pool:
- (a) if that Relevant Country has as its highest country rating a rating of AAA with S&P or Fitch, then 100%;

- (b) if that Relevant Country has as its highest country rating a rating of AA+, AA or AA- with S&P or Fitch, then 100%;
 - (c) if that Relevant Country has as its highest country rating a rating of A+, A or A- with S&P or Fitch, then 25%;
 - (d) if that Relevant Country has as its highest country rating a rating of BBB+, BBB or BBB- with S&P or Fitch, then 12.5%;
- 5.8** *Construction phase concentration:* The aggregate Outstanding Nominal Amount of all Reference Obligations as of the Replenishment Date which relate to Relevant Projects for which construction completion or refurbishment completion of the primary asset or assets has not been attained in accordance with the terms of the Relevant Project Agreement does not exceed 60% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date;
- 5.9** *Construction contractor concentration:* The aggregate Outstanding Nominal Amount of all Reference Obligations as of the Replenishment Date which relate to Relevant Projects where the same entity or an affiliate of that entity is a construction contractor or the construction contractor's guarantor or is otherwise the party obliged to ensure delivery of such Project Contractor's primary asset (or assets) in that Relevant Project does not exceed 30% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date;
- 5.10** *Operating contractor concentration:* The aggregate Outstanding Nominal Amount of all Reference Obligations as of the Replenishment Date which relate to Relevant Projects where the same entity or an affiliate of that entity is an operation or maintenance contractor or such a contractor's guarantor or is otherwise the party obliged to provide operational services related to the Project Contractor's primary asset (or assets) does not exceed 30% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date;
- 5.11** *Sponsor concentration:* The aggregate Outstanding Nominal Amount of all Reference Obligations as of the Replenishment Date which relate to Relevant Projects where the same entity or an affiliate of that entity is a project sponsor and has continuing obligations, actual or contingent, in respect of subscription for equity or subordinated debt or completion guarantees or other performance or financial guarantees, in each case, which are not fully supported by letters of credit or similar credit support issued by third party financial institutions of good standing does not exceed 30% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date;
- 5.12** *Minimum DSCR:* Save in respect of Reference Obligations contained in the Initial Reference Pool for the purposes of Re-set under Provision 2.3 (*Reference Obligations – Non-€ Reference Obligations; Re-sets*) only and subject to (i) and (ii) below, the minimum DSCR for the life of the Project Loan or Underlying Project Finance Loan to which the Replenishment Obligation relates (the "**Relevant Loan**"), either:
- (a) as shown in the most recently prepared financial model forecast produced in respect of the Relevant Loan prior to the relevant Replenishment Date;
 - or

- (b) if the most recently prepared financial model does not calculate minimum DSCRs for the life of the Relevant Loan, as shown in the base case model prepared in connection with that Relevant Loan,

is not less than 1.15 save in respect of:

- (i) Miniperm Loans after the Sweep Date where the minimum DSCR shall not fall below 1.00, and
- (ii) Reference Obligations for which the Relevant Project is a transport project for which the base case shows that more than 50% of the revenue associated with the project is in the form of payments made by the general public for using that mode of transport, where the minimum DSCR shall not fall below 1.25;

- 5.13** *S&P Credit Assessment:* Each Replenishment Obligation shall have a credit estimate/estimated rating, recovery rate, a sector assumption and a correlation assumption assigned to it by S&P;
- 5.14** *S&P Credit Rating:* the Replenishment Obligation shall in each case have a minimum estimated rating by S&P of BB+;
- 5.15** *S&P Expected Recovery:* The minimum S&P deemed expected recovery for each Replenishment Obligation, as determined by S&P, is 70%;
- 5.16** *S&P SROC Test:* The S&P SROC Test for each Class of Notes immediately following such Replenishment must be a positive figure greater than 100% or, if the S&P SROC Test immediately prior to Replenishment is less than 100%, the Replenishment does not cause the S&P SROC Test to be a smaller percentage value;
- 5.17** *Fitch Credit Assessment:* Each Replenishment Obligation shall have a credit estimate/estimated rating, recovery rate and a sector assumption assigned to it by Fitch;
- 5.18** *Fitch Credit Rating:* the Replenishment Obligation shall in each case have a minimum estimated rating by Fitch of BB+;
- 5.19** *Fitch Expected Recovery:* The minimum Fitch deemed expected recovery for each Replenishment Obligation, as determined by Fitch, is 70%;
- 5.20** *Fitch Downgrade:* Fitch has confirmed that the inclusion of the relevant Replenishment Obligation in the Reference Pool would not result in the rating assigned by Fitch to any Class of the Notes being downgraded to a lower rating than that assigned by Fitch to that Class of the Notes as at the Issue Date;
- 5.21** *Syndicated Obligation:* The Replenishment Obligation is a Syndicated Reference Obligation;
- 5.22** *Replenishment Capacity:* The aggregate Outstanding Nominal Amount of all Replenishment Obligations relating to such Replenishment Date does not exceed the Replenishment Capacity on such Replenishment Date (taking into account any Reference Obligations to be removed from the Reference Pool on such Replenishment Date and/or any Re-sets on such Replenishment Date);

5.23 *Pool Amortisation Amount:* The addition of a Replenishment Obligation shall with respect to the last day of:

- (a) the Collection Period immediately preceding the Replenishment Date, or
- (b) any subsequent Collection Period,

not result in the aggregate of (i) the aggregate Scheduled Obligation Nominal Amounts of all Reference Obligations (except Liquidated Reference Obligations), and (ii) all Scheduled Removed Amounts, to be greater than the relevant Scheduled Pool Nominal Amount relating to such date;

5.24 *Proportion of Pool:* The Outstanding Nominal Amount of each Replenishment Obligation does not exceed (for the avoidance of doubt with regard to its full amount being part of the Reference Pool after the Replenishment) 7% of the Scheduled Pool Nominal Amount relating to the relevant Replenishment Date (after taking into account the Replenishment Obligation); and

5.25 *Minimum Number of Reference Obligations:* If the Replenishment Obligation is an Increase Amount in relation to a Reference Obligation already included in the Reference Pool then:

- (a) if the aggregate Outstanding Nominal Amount is equal to or higher than €700,000,000, then the Reference Pool must consist of Reference Obligations granted to at least 27 different Borrowers;
- (b) if the aggregate Outstanding Nominal Amount is equal to or exceeds an amount of €600,000,000 but is an amount below €700,000,000, then the Reference Pool must consist of Reference Obligations granted to at least 22 different Borrowers; or
- (c) if the aggregate Outstanding Nominal Amount is equal to or exceeds an amount of €500,000,000 but is an amount below €600,000,000, then the Reference Pool must consist of Reference Obligations granted to at least 17 different Borrowers.

The Bank shall have the right to give a written Replenishment Pool Reduction Notice to the Trustee on each Report Date during the Replenishment Period stating that the Replenishment Capacity or a part thereof shall be allocated to the Notes in accordance with Section 9.2(a) (*Redemption – Amortisation of the Notes – Redemption of the Notes*) of the Terms and Conditions.

6 Conditions for Loss Allocation

The following shall be the conditions (*Bedingungen*) for Loss Allocation with respect to a Reference Obligation:

6.1 it is a Reference Obligation

- (a) which:
 - (i) if it was in the Initial Reference Pool, satisfied each of the Eligibility Criteria as of the Issue Date, or
 - (ii) if it was added to the Reference Pool after the Issue Date, satisfied each of the Replenishment Criteria as of the relevant

Replenishment Date on which it was added to the Reference Pool,
or

- (iii) if it was added to the Reference Pool as a New Reference Obligation, has been added in accordance with Provision 2.2 (*Reference Obligations – Restructuring and Rescheduling of Reference Obligations*); and
- (b) in respect of which the Servicing Standards have been complied with since the Cut-off Date or, if later, since the date on which the relevant Bank Entity originated or acquired the Reference Obligation;
- (c) in respect of which a Zero Loss Notice has not been given.

6.2 the following procedures have been complied with:

- (a) a Trustee has been appointed and is acting pursuant to the Trust Agreement;
- (b) Realised Losses have been calculated by the Bank for the Report Date immediately preceding the Payment Date on which the Loss Allocation is to occur and such Realised Losses have been designated in the relevant Pool Report, Scheduled Maturity Report, Legal Maturity Report or Redemption Report (where applicable);
- (c) the Bank has complied with its reporting and information obligations pursuant to Clause 7 (*Reports; Documents; Information*) of the Trust Agreement;
- (d) the Trustee has delivered a confirmation to the Bank and the Issuer and a copy thereof to the Counterparty, the Senior Swap Counterparty, and the Administrator in accordance with Clause 8.4 (*Verification, Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement that:
 - (i) it has performed the check (*Plausibilitätsprüfung*) required under Clause 8.1 (*Verification, Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement,
 - (ii) such check does not reveal any indication of breach of related conditions and requirements for Loss Allocation nor any other risk for the Transaction Creditors due to any failure of the Bank or the Issuer duly to discharge its obligations under the Trustee Documents, and
 - (iii) on the basis of its verification pursuant to Clause 8.3 (*Verification, Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement the relevant Investor Notification is accurate; and
- (e) the Trustee has verified in accordance with Clause 8.2 (*Verification, Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement the determination (including the correct calculation of the components of Realised Losses) and allocation of Realised Losses in respect of each Reference Obligation for which Realised Losses are to be allocated and has confirmed by written notification to the Bank, the

Counterparty, the Senior Swap Counterparty and the Issuer the determination and allocation of Realised Losses;

- 6.3** none of the Bank, the Counterparty, or the Issuer is in breach of its obligations under the Trust Agreement.

If the Trustee has determined that such breach:

- (a) has been remedied,
- (b) did not result in or did not increase the relevant Realised Loss and
- (c) did not affect the exercise of the Trustee's rights and obligations under the Trust Agreement to the detriment of the Transaction Creditors subject to Clause 2.1 (*Position of the Trustee*) of the Trust Agreement,

the Loss Allocation shall not be affected by such breach.

Further, if any such breach of the Trust Agreement is in relation to one or more Reference Obligations only (including a breach of reporting requirements in respect of a portion of Reference Obligations), the Loss Allocation in respect of all other Reference Obligations shall not be affected by such breach;

- 6.4** neither the Bank nor the Issuer is in breach of their respective obligations under the Transaction Documents.

If the Trustee has determined that:

- (a) such breach has been remedied,
- (b) such breach did not result in or increase the relevant Realised Loss,
- (c) such breach did not affect the exercise of the Trustee's rights and obligations under the Transaction Documents to the detriment of the Transaction Creditors subject to Clause 2.1 (*Position of the Trustee*) of the Trust Agreement, and
- (d) the interests of the Transaction Creditors are not at risk as a result of any failure of the Issuer or the Bank duly to discharge their obligations under the Transaction Documents,

the Loss Allocation shall not be affected by such breach;

- 6.5** Non-complying Reference Obligations shall not qualify for allocation of Realised Losses pursuant to the Loss Allocation unless the Trustee has issued a Confirmation of Compliance in accordance with Clause 10.2 (*Reference Obligation Removal Procedure*) of the Trust Agreement;

- 6.6** Non-qualifying Reference Obligations and Maturity Overrun Amounts shall not qualify for allocation of Realised Losses pursuant to the Loss Allocation;

- 6.7** the Loss Allocation is made in accordance with the terms of the Trustee's confirmation pursuant to Clause 8.4 (*Verification, Confirmation of Loss Allocation; Initiation of Procedures*) of the Trust Agreement;

- 6.8** if the Loss Allocation is made with regard to a Reference Obligation which has been substituted by a New Reference Obligation, such substituted Reference Obligation

must have met the Eligibility Criteria at the time it was included in the Reference Pool; and

- 6.9** If:
- (a) under any Eligibility Criterion or Replenishment Criterion the Outstanding Nominal Amount is required not to exceed a given amount as of a given time,
 - (b) such Eligibility Criterion or Replenishment Criterion is not complied with,
 - (c) such non-compliance is not remedied, and
 - (d) a Realised Loss occurs in respect of one or more of such Reference Obligations,

then such affected Reference Obligations shall not qualify for the Loss Allocation. However, Loss Allocation shall be possible to the extent that the removal of such affected Reference Obligations (or any portion thereof) together with all other then existing affected Reference Obligations from the Reference Pool immediately after the Issue Date or the relevant Replenishment Date, as relevant, would have remedied the non-compliance of such Eligibility Criterion or Replenishment Criterion.

7 Servicing Standards

Each Bank Entity in its capacity as a Servicer will service the relevant Reference Obligations in accordance with the Servicing Standards and the Credit and Collection Policies.

Subject to Provision 9 (*Removals*) below, compliance with the Servicing Standards does not constitute an obligation of any Bank Entity, any Servicer, the Counterparty or the Issuer.

8 Transfers

- 8.1** Each Bank Entity may at its own cost and at any time transfer (including by way of subparticipation or by similar arrangements) any Reference Obligation.
- 8.2** Any such transferred Reference Obligation shall only qualify for Loss Allocation if the transfer has been made after the Issue Date to any Bank Entity, provided that:
- (a) a Bank Entity or such substitute entity as permitted by the Servicing Standards remains responsible (to the extent it was so at the time of transfer) for the servicing of the relevant Reference Obligation in accordance with the Servicing Standards and for the determination and allocation of Realised Losses in respect of such Reference Obligation in accordance with the Terms and Conditions;
 - (b) the standards of servicing and the determination and allocation of Realised Losses remain unchanged upon such transfer; and
 - (c) the Bank's obligations under the Transaction Documents continue to be complied with.
- 8.3** The Reference Pool and the rights and obligations under the Terms and Conditions including the Loss Allocation shall not be affected by a transfer of a Reference Obligation in accordance with this Provision 8 (*Transfers*).

8.4 Except as set out in this Provision 8 (*Transfers*), there shall be no recourse against any Bank Entity, any Servicer, the Counterparty, the Trustee or the Issuer in respect of any non-compliance with the requirements for transfer of a Reference Obligation pursuant to this Provision 8 (*Transfers*)

9 Removals

9.1 Removal of Non-qualifying Reference Obligations, Maturity Overrun Amounts and Non-complying Reference Obligations

Pursuant to Clause 16 (*Undertakings of the Bank and the Issuer*) of the Trust Agreement, the Bank has undertaken to remove any Non-qualifying Reference Obligation and any Maturity Overrun Amounts from the Reference Pool.

The Bank may remove any Non-complying Reference Obligation from the Reference Pool in accordance with the procedures set out in Clause 10 (*Reference Obligation Removal Procedure*) of the Trust Agreement.

In addition, the Bank may elect to remove any Reference Obligation after the Trustee has issued a Confirmation of Compliance in accordance with Clause 10.2 (*Reference Obligation Removal Procedure*) of the Trust Agreement.

Except as set out in this Provision 9 (*Removals*) there shall be no recourse against any Bank Entity, any Servicer, the Counterparty, the Trustee or the Issuer in respect of any non-compliance with the Eligibility Criteria, the Replenishment Criteria, or the Servicing Standards.

If any of the Eligibility Criteria or Replenishment Criteria is not complied with in respect of the Reference Pool (as opposed to a specific Reference Obligation) all Reference Obligations affected by such non-compliance shall be treated as Non-complying Reference Obligations. If such non-compliance can be fully remedied by removing one or more Reference Obligations the addition of which to the Reference Pool resulted in such non-compliance of the Reference Pool, the Bank may effect such removal in accordance with the Terms and Conditions and the Trust Agreement and such removal shall constitute full remedy of such non-compliance, provided that the Bank shall, in each case, first remove affected Reference Obligations with the highest Reference Number.

9.2 Calculations

For the avoidance of doubt, any calculations carried out by the Bank with respect to a Report Date shall take into account any Reference Obligations that have become Non-qualifying Reference Obligations, Maturity Overrun Amounts or Non-complying Reference Obligations during the Related Collection Period (except that any Non-qualifying Reference Obligations, Maturity Overrun Amounts or Non-complying Reference Obligations shall not qualify for Loss Allocation).

Scheduled Pool Nominal Amount

Period end	Scheduled Pool Nominal Amount (€m)	Period end	Scheduled Pool Nominal Amount (€m)	Period end	Scheduled Pool Nominal Amount (€m)
30 Sep 2006	900.00	31 Dec 2018	657.00	31 Mar 2031	171.00
31 Dec 2006	900.00	31 Mar 2019	657.00	30 Jun 2031	130.50
31 Mar 2007	900.00	30 Jun 2019	616,50	30 Sep 2031	130.50
30 Jun 2007	900.00	30 Sep 2019	616,50	31 Dec 2031	130.50
30 Sep 2007	900.00	31 Dec 2019	616,50	31 Mar 2032	130.50
31 Dec 2007	900.00	31 Mar 2020	616,50	30 Jun 2032	90.00
31 Mar 2008	900.00	30 Jun 2020	576.00	30 Sep 2032	90.00
30 Jun 2008	882.00	30 Sep 2020	576.00	31 Dec 2032	90.00
30 Sep 2008	882.00	31 Dec 2020	576.00	31 Mar 2033	90.00
31 Dec 2008	882.00	31 Mar 2021	576.00	30 Jun 2033	86.25
31 Mar 2009	882.00	30 Jun 2021	535.50	30 Sep 2033	86.25
30 Jun 2009	864.00	30 Sep 2021	535.50	31 Dec 2033	86.25
30 Sep 2009	864.00	31 Dec 2021	535.50	31 Mar 2034	86.25
31 Dec 2009	864.00	31 Mar 2022	535.50	30 Jun 2034	82.50
31 Mar 2010	864.00	30 Jun 2022	495.00	30 Sep 2034	82.50
30 Jun 2010	846.00	30 Sep 2022	495.00	31 Dec 2034	82.50
30 Sep 2010	846.00	31 Dec 2022	495.00	31 Mar 2035	82.50
31 Dec 2010	846.00	31 Mar 2023	495.00	30 Jun 2035	78.75
31 Mar 2011	846.00	30 Jun 2023	454.50	30 Sep 2035	78.75
30 Jun 2011	828.00	30 Sep 2023	454.50	31 Dec 2035	78.75
30 Sep 2011	828.00	31 Dec 2023	454.50	31 Mar 2036	78.75
31 Dec 2011	828.00	31 Mar 2024	454.50	30 Jun 2036	75.00
31 Mar 2012	828.00	30 Jun 2024	414.00	30 Sep 2036	75.00
30 Jun 2012	810.00	30 Sep 2024	414.00	31 Dec 2036	75.00
30 Sep 2012	810.00	31 Dec 2024	414.00	31 Mar 2037	75.00
31 Dec 2012	810.00	31 Mar 2025	414.00	30 Jun 2037	71.25

31 Mar 2013	810.00	30 Jun 2025	373.50	30 Sep 2037	71.25
30 Jun 2013	792.00	30 Sep 2025	373.50	31 Dec 2037	71.25
30 Sep 2013	792.00	31 Dec 2025	373.50	31 Mar 2038	71.25
31 Dec 2013	792.00	31 Mar 2026	373.50	30 Jun 2038	67.50
31 Mar 2014	792.00	30 Jun 2026	333.00	30 Sep 2038	67.50
30 Jun 2014	774.00	30 Sep 2026	333.00	31 Dec 2038	67.50
30 Sep 2014	774.00	31 Dec 2026	333.00	31 Mar 2039	67.50
31 Dec 2014	774.00	31 Mar 2027	333.00	30 Jun 2039	63.75
31 Mar 2015	774.00	30 Jun 2027	292.50	30 Sep 2039	63.75
30 Jun 2015	756.00	30 Sep 2027	292.50	31 Dec 2039	63.75
30 Sep 2015	756.00	31 Dec 2027	292.50	31 Mar 2040	63.75
31 Dec 2015	756.00	31 Mar 2028	292.50	30 Jun 2040	60.00
31 Mar 2016	756.00	30 Jun 2028	252.00	30 Sep 2040	60.00
30 Jun 2016	738.00	30 Sep 2028	252.00	31 Dec 2040	60.00
30 Sep 2016	738.00	31 Dec 2028	252.00	31 Mar 2041	60.00
31 Dec 2016	738.00	31 Mar 2029	252.00	30 Jun 2041	56.25
31 Mar 2017	738.00	30 Jun 2029	211.50	30 Sep 2041	56.25
30 Jun 2017	697,50	30 Sep 2029	211.50	31 Dec 2041	56.25
30 Sep 2017	697,50	31 Dec 2029	211.50	31 Mar 2042	56.25
31 Dec 2017	697,50	31 Mar 2030	211.50	30 Jun 2042	52.50
31 Mar 2018	697,50	30 Jun 2030	171.00	30 Sep 2042	52.50
30 Jun 2018	657.00	30 Sep 2030	171.00	31 Dec 2042	0.00
30 Sep 2018	657.00	31 Dec 2030	171.00		

Information Tables regarding the Initial Reference Pool

Attached hereto are tables setting out the number, the current Outstanding Nominal Amounts, term to maturity and other characteristics of the Reference Obligations constituting the Initial Reference Pool as at the Cut-off Date. The sum of the Outstanding Nominal Amounts and the percentages in the following tables may not equal the totals due to rounding.

The Initial Reference Pool size is €718,054,748. The Bank may increase the size of the Reference Pool up to €900,000,000 by adding Reference Obligations to the Reference Pool following the Issue Date in accordance with the provisions set forth herein. If such Reference Obligations are replaced, there is no guarantee that future Reference Obligations, although required to meet the Replenishment Criteria, will perform better than or as well as the initial Reference Obligations.

In addition, the actual characteristics of the Reference Pool may change over time as a result of (a) Replenishment during the Replenishment Period, (b) amortisation in the Reference Pool and (c) removals from and other changes to the Reference Pool in accordance with the Transaction Documents.

As Reference Obligations are removed and/or added to the Reference Pool, the characteristics of the Reference Pool may change from those existing at the Cut-off Date or the Issue Date, and such changes may delay or reduce payments on the Notes.

In particular, new Reference Obligations may have different payment characteristics from the Reference Obligations in the Reference Pool as of the Cut-off Date or the Issue Date. This could result in a reduction of payments received by investors under the Notes or an increase in the rate of repayment of the Notes. However, the new Reference Obligations will be required to meet the Eligibility Criteria and the Replenishment Criteria.

Reference Number	Sector	Geography	Status	Type
1	Other Roads	Hungary	Operation	Loan
2	Toll Roads	Ireland	Operation	Loan
3	Toll Roads	Ireland	Operation	Guarantee
4	Other Roads	Portugal	Construction	Loan
5	Other Roads	Portugal	Construction	Guarantee
6	Toll Roads	Portugal	Operation	Loan
7	Toll Roads	Portugal	Operation	Guarantee
8	Other Roads	Portugal	Operation	Loan
9	Other Roads	Portugal	Operation	Guarantee
10	Bridges / Tunnels	Portugal	Operation	Guarantee
11	Other Roads	Portugal	Construction	Loan
12	Other Roads	Portugal	Construction	Guarantee
13	Other Roads	Spain	Operation	Loan

Reference Number	Sector	Geography	Status	Type
14	Other Roads	Spain	Operation	Loan
15	Other Roads	Spain	Operation	Guarantee
16	Other Roads	Spain	Operation	Guarantee
17	Other Roads	Spain	Operation	Loan
18	Waste Mgmt	Spain	Operation	Loan
19	Rail / Metro	Spain	Operation	Loan
20	Rail / Metro	Spain	Construction	Loan
21	Healthcare	UK	Construction	Loan
22	Rail / Metro	UK	Operation	Loan
23	Schools	UK	Construction	Loan
24	Schools	UK	Construction	Loan
25	Schools	UK	Construction	Loan
26	Schools	UK	Construction	Loan
27	Other Roads	Canada	Construction	Loan
28	Rail / Metro	Canada	Construction	Loan
29	Bridges / Tunnels	Canada	Construction	Loan
30	Rail / Metro	Sweden	Operation	Loan
31	Toll Roads	Poland	Operation	Loan
32	Healthcare	UK	Construction	Loan
33	Rail / Metro	UK	Operation	Loan
34	Rail / Metro	UK	Operation	Loan
35	Healthcare	UK	Construction	Loan
36	Healthcare	UK	Construction	Loan
37	Healthcare	UK	Construction	Loan
38	Bridges / Tunnel	France	Operation	Loan
39	Healthcare	Japan	Construction	Loan
40	Healthcare	Japan	Construction	Loan
41	Healthcare	Australia	Construction	Bond
42	Healthcare	UK	Construction	Bond

Sector			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
Healthcare	187.3	26.1%	9
Other Roads	139.0	19.4%	13
Rail / Metro	126.3	17.6%	7
Schools	114.5	15.9%	4
Toll Roads	74.7	10.4%	5
Bridges / Tunnels	70.9	9.9%	3
Waste Mgmt	5.4	0.7%	1
Grand Total	718.1	100.0%	42

Geography			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
United Kingdom	302.2	42.1%	13
Portugal	121.7	17.0%	9
Canada	77.7	10.8%	3
Spain	42.0	5.8%	8
Japan	40.0	5.6%	2
Sweden	25.2	3.5%	1
Ireland	24.2	3.4%	2
Poland	24.5	3.4%	1
Australia	24.1	3.4%	1
Hungary	18.6	2.6%	1
France	17.9	2.4%	1
Grand Total	718.1	100.0%	42

Project Status			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
Construction	447.2	62.3%	21
Operation	270.9	37.7%	21
Grand Total	718.1	100.0%	42

Loan Amount			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
<€10mm	79.7	11.1%	13
€10-€20mm	203.9	28.4%	14
€20-€30mm	244.9	34.1%	10
€30-€40mm	189.6	26.4%	5
Grand Total	718.1	100.0%	42

S&P Rating			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
BB+	44.9	6.3%	3
BBB-	335.4	46.7%	21
BBB	217.0	30.2%	13
BBB+	22.9	3.2%	2
AAA	97.9	13.6%	3
Grand Total	718.1	100.0%	42

S&P Recovery rate			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
80%	313.2	43.6%	16
85%	145.2	20.2%	7
90%	213.2	29.7%	17
95%	46.5	6.5%	2
Grand Total	718.1	100.0%	42

Fitch Rating			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
BB+	63.8	8.9%	2
BBB-	320.5	44.6%	23
BBB	198.7	27.7%	11
BBB+	37.2	5.2%	3
AAA	97.9	13.6%	3
Grand Total	718.1	100.0%	42

Fitch Recovery rate			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
79%	40.0	5.6%	1
80%	45.3	6.3%	2
83%	10.7	1.5%	1
85%	347.1	48.3%	25
90%	47.9	6.7%	3
95%	110.8	15.4%	6
100%	116.5	16.2%	4
Grand Total	718.1	100.0%	42

Project Signing Date			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
1999	61.0	8.5%	8
2000	64.9	9.0%	6
2001	45.9	6.4%	3
2002	---	0.0%	---
2003	196.9	27.4%	11
2004	127.7	17.8%	6
2005	181.7	25.3%	7
2006	40.0	5.6%	1
Grand Total	718.1	100.0%	42

Loan Maturity			
	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
2010 - 2015	35.4	4.9%	3
2015 - 2020	99.3	13.8%	7
2020 - 2025	140.9	19.6%	13
2025 - 2030	154.0	21.5%	8
2030 - 2035	173.3	24.1%	8
2035 - 2040	75.2	10.5%	2
2040 - 2045	40.0	5.6%	1
Grand Total	718.1	100.0%	42

Loan Currency	Amount of Facilities (€m)	Amount of Facilities (% of total)	Number of Facilities
GBP	302.2	42.1%	13
EUR	224.3	31.2%	21
CAD	77.7	10.8%	3
JPY	40.0	5.6%	2
SEK	25.2	3.5%	1
PLN	24.5	3.4%	1
AUD	24.1	3.4%	1
Grand Total	718.1	100.0%	42

REFERENCE POOL SERVICING

Each Servicer will service the relevant Reference Obligations in accordance with the following Servicing Standards. The Servicing Standards are attached as Appendix C to the Terms and Conditions and constitute an integral part of the Terms and Conditions.

SERVICING STANDARDS

The relevant Bank Entity, as Servicer will Service the loans in accordance with the following Servicing Standards taking into account the interests of the Transaction Creditors and of the Counterparty by seeking to minimise any losses.

1 Common Principles

1.1 General

"**Servicing**" and "**to Service**" means:

- (a) in respect of a Reference Obligation that is neither a Syndicated Reference Obligation nor a Sub-participation the monitoring, administration, collection and enforcement of such Reference Obligation, including if appropriate in the judgement of the relevant Servicer the enforcement of the related Reference Collateral;
- (b) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the Agent Bank or the Bond Trustee is not the relevant Bank Entity, the timely monitoring and administration of such Reference Obligation, including responding to and communicating with the Agent Bank, the Bond Trustee, the Security Agent, if any, and the Security Trustee, if any, and casting the Servicer's vote in any decision required under the Related Financing Documents;
- (c) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the relevant Bank Entity is the Agent Bank, the monitoring, administration, collection and enforcement of such Reference Obligation in accordance with the Related Financing Documents, including if required:
 - (i) responding to and communicating with the Syndicate of Lenders, the Security Agent, if any and the Security Trustee, if any, and
 - (ii) enforcement of the Reference Collateral if such is in the scope of the Agent Bank's authority all in accordance with the powers of the Agent Bank and where appropriate, the instructions of the Syndicate of Lenders; and
- (d) in respect of a Reference Obligation that is a Subparticipation, the timely monitoring and administration of such Reference Obligation, including responding to the Participant where required and exercising such rights of decision making as are granted by the underlying sub-participation agreement.

The actions required to Service the Reference Obligations as described in paragraphs 1.1(a) to (d) (*Common Principles – General*) above shall be undertaken and duly authorised:

- (i) in accordance with the Procedures Manual, the Credit and Collection Policies and the relevant Bank Entity's internal procedures from time to time and otherwise on a timely basis;
- (ii) in accordance with the relevant Bank Entity's professional judgement;
- (iii) in accordance with the requirements of the relevant Related Financing Documents; and
- (iv) as if the Reference Obligations had not been included in this Transaction.

Compliance with the Servicing Standards is, subject to Provision 9 (*Removals*) of the Reference Pool Provisions, a condition to the Loss Allocation under Provision 6 (*Condition for Loss Allocation*) of the Reference Pool Provisions and does not constitute an obligation of the Bank, any other Bank Entity, any Servicer, the Counterparty or the Issuer.

Notwithstanding any provision to the contrary herein, nothing shall prevent the relevant Servicer or another Bank Entity from:

- A.** enforcing its rights in its capacity as Agent Bank under a Syndicated Reference Obligation or any Related Financing Documents in preference to its rights as a lender thereunder to the extent that its rights as Agent Bank are given preference in the relevant Syndicated Reference Obligation or Related Financing Documents; or
- B.** enforcing its rights as secured creditor against the parties providing security in respect of any loan to or debt obligation (other than a Reference Obligation) of the Borrower of a Reference Obligation provided that such security does not constitute Reference Collateral granted in respect of a Reference Obligation.

1.2 Amendments

- (a) The Bank and the Trustee may agree at any time to amend or supplement the Servicing Standards, provided that any such amendment or supplement does not adversely affect the interests of any Transaction Creditor in a material manner, unless otherwise required by mandatory provisions of law, and the Rating Agencies receive notice thereof from the Bank.
- (b) Each Bank Entity may amend or supplement its Credit and Collection Policies in its sole discretion from time to time, provided that:
 - (i) it or the Bank notifies the Trustee by providing an updated copy thereof highlighting the amendments or supplements;
 - (ii) if any such amendment or supplement is inconsistent with the Servicing Standards, it will not be applied with respect to the Reference Pool;
 - (iii) if such amendment or supplement may adversely affect the determination of any Realised Losses or Credit Events or Appraised Losses and/or Appraised Values it will not be applied to the Reference Pool without prior consent of the Trustee,

unless in the case of each of (ii) or (iii) otherwise required by mandatory provisions of law; and

- (iv) to the extent such amendment or supplement, affects or may affect the interests of the Transaction Creditors, the Rating Agencies receive notice thereof from the Bank.
- (c) The Bank may amend or supplement the Procedures Manual in its sole discretion from time to time provided that:
- (i) it notifies the Trustee by providing an updated copy thereof highlighting the amendments or supplements;
 - (ii) if any such amendment or supplement is inconsistent with the Servicing Standards, it will not be applied with respect to the Reference Pool;
 - (iii) if such amendment or supplement may, adversely affect the determination of any Realised Losses or Credit Events or Appraised Losses and/or Appraised Values it will not be applied to the Reference Pool without prior consent of the Trustee,

unless in the case of each of (ii) or (iii) otherwise required by mandatory provisions of law; and

- (iv) to the extent such amendment or supplement, affects or may affect the interests of the Transaction Creditors, the Rating Agencies receive notice thereof from the Bank;
- (d) the Rating Agencies will periodically review the Credit and Collection Policies and experience of the Lender or Servicer and will assess, provided there are material changes thereto, any potential impact on the credit quality of the Reference Pool.

2 Management of Borrower Defaults etc

Consistent with the general servicing standards set out in paragraph 1.1 (*Common Principles – General*) above, each Bank Entity shall respond to a default by a Borrower under a Reference Obligation in the manner of a prudent bank, having due regard to the interests of the Transaction Creditors by seeking to minimise any losses that it perceives may follow from such default and in doing so giving priority to the interests of higher ranking Transaction Creditors, and giving priority to the Transaction Creditors over the Counterparty. In so doing, the relevant Bank Entity may, as the context requires either vote for or agree, to the extent permitted by the Related Financing Documents, to any one or a combination of the following in accordance with the provisions of the Procedures Manual, the Credit and Collection Policies and the Servicing Standards:

- (a) a waiver of the default;
- (b) the grant of additional time to cure the default;
- (c) the rescheduling or restructuring of the Reference Obligation, subject to Section 3 (*Rescheduling and Restructuring of Reference Obligations*) below;
- (d) restructuring of the management of the Borrower;
- (e) replacement of the Borrower's main construction, facilities management or operations sub-contractors and any guarantors thereof;

- (f) substitution of the Borrower;
- (g) termination of the concession agreement related to the Reference Obligation;
- (h) sale of the Borrower or the Relevant Project financed by the Reference Obligation; and
- (i) other analogous measures aimed at curing the default and minimising any resultant losses.

In undertaking any of the above measures in accordance with the above criteria, the relevant Bank Entity may or may not enforce or vote for the enforcement of the Reference Collateral as it in its professional judgement sees fit. It is noted that the undertaking of certain of the steps above may temporarily impair the enforceability of the Reference Obligation or Reference Collateral in accordance with provisions set out therein.

The relevant Bank Entity shall keep the Trustee informed both of the steps it proposes to take and of the progress in implementation.

3 Rescheduling and Restructuring of Reference Obligations

Subject to Provision 2.2 (*Reference Obligations – Restructuring and Rescheduling of Reference Obligations*) and Provision 9.1 (*Removals – Removal of Non-qualifying Reference Obligations, Maturity Overrun Amounts and Non-complying Reference Obligations*) of the Reference Pool Provisions, in accordance with the Procedures Manual, the relevant Credit and Collection Policies and subject to the requirements with respect to Syndicated Reference Obligations with respect to a Syndicate Payment Forfeiture and to this Section 3 (*Rescheduling and Restructuring of Reference Obligations*), in agreeing to or voting for a rescheduling or restructuring of a Reference Obligation the relevant Bank Entity may in particular

- (a) forego the repayment of a portion of the relevant Reference Obligation or
- (b) subordinate all or a portion of a Reference Obligation and in such case, if the relevant Bank Entity is convinced, in its reasonable judgement, that the aggregate amount of collections on such Reference Obligation will be higher than the aggregate amount it would collect thereon had it not agreed to forego or subordinate such portion of the Reference Obligation.

The Rating Agencies and if applicable the Bank will receive notice of any such rescheduling or restructuring of a Reference Obligation. Furthermore, the Rating Agencies will receive from the Bank copies of all revised loan documentation for rescheduled or restructured Reference Obligations, provided this is permitted by applicable law and provided further the Bank does not breach any contractual obligation by doing so. For the avoidance of doubt, in respect of Reference Obligations which are not Syndicated Reference Obligations, the relevant Bank Entity is not required to

- (i) forego the repayment of a portion of the relevant Reference Obligation or
- (ii) subordinate all or a portion of such Reference Obligation as part of any rescheduling or restructuring of such Reference Obligation before a Credit Event with respect to such Reference Obligation has occurred.

4 Information; Maintenance of Records

Each Bank Entity shall, subject to applicable law, regulations and contractual obligations of the relevant Bank Entity, in particular data protection laws and regulations and statutory, regulatory and contractual bank secrecy and confidentiality obligations of the relevant Bank Entity, provide such information to the Trustee, the Counterparty and/or the Rating Agencies, as each of them may reasonably request.

Each Bank Entity will have available information regarding the Reference Obligations which are Serviced by it, which will show, inter alia

- (a) the name attributed to each Reference Obligation in the relevant Reference Obligation List;
- (b) the Outstanding Nominal Amount of the Reference Obligation as of the Cut-off Date or the relevant Replenishment Date, as applicable, and with respect to the Non-€ Reference Obligations, the outstanding principal amount of each such Non-€ Reference Obligation in the currency of such Reference Obligation as of the Cut-off Date or the relevant Replenishment Date, as applicable, and the Initial Exchange Rate;
- (c) the repayment and interest characteristics of the Reference Obligation;
- (d) the remaining term to maturity of the Reference Obligation as of the Cut-off Date or the relevant Replenishment Date, as applicable;
- (e) updated performance reports showing the actual performance of payment and other obligations (such as the obligation to deliver reports or other information);
- (f) details of all restructurings and reschedulings of Reference Obligations and on Write-down Amounts and Maturity Overrun Amounts;
- (g) information on Syndicate Payment Forfeitures;
- (h) any other information requested by the Rating Agencies (to the extent such information is available), including concession agreements, relevant financing documents, key project contracts, shareholders' agreements, key subcontractor agreements, insurance policies, legal opinions, periodic project reports certified by an independent technical advisor, updated financial models, notification of any covenant violations, cash balances in reserve accounts, drawings under letters of credit or liquidity lines, any call on guarantees or performance bonds and, if applicable, financial statements of the Project Funding Vehicle and internal bank credit reports.

Accounting records of the Reference Obligations will be kept in safekeeping for a period of 6 (six) years after the relevant accounting period of the relevant Bank Entity, or for such longer or shorter period as required from time to time by applicable law. The accounting records with respect to the Reference Obligations will be kept current in accordance with the procedures of the relevant Bank Entity.

Each Bank Entity may maintain records and documentation relating to the Reference Obligations in paper or electronic form or any other commercially reasonable manner.

5 Consultants and Experts

In connection with Servicing the Reference Obligations each Bank Entity may retain outside consultants and experts to the extent it deems necessary in its due, professional judgement.

Each Bank Entity will select and monitor such consultants and experts with the care expected of a prudent bank and will notify the Trustee, the Counterparty, the Senior Swap Counterparty and the Rating Agencies of the retention of such consultants and experts. The Bank will maintain proper records about the retention of outside consultants and experts and will ensure that any reports, opinions or other relevant information produced by such consultants or experts will be properly filed and will be available for as long as any Notes are outstanding or deemed to be outstanding.

6 Change in Servicers

Each Bank Entity may, be substituted in its function as Servicer of any or all of the Reference Obligations by any other Bank Entity.

In the case of any substitution pursuant to this Section 6 (*Change in Servicers*), all references in the Terms and Conditions, including the Reference Pool Provisions and these Servicing Standards, to the substituted Servicer shall be deemed to be references to such new Servicer.

Where a Servicer is requested to vote to replace an Agent Bank or the Bond Trustee under a Reference Obligation it will vote paying due regard to the fact that to the extent possible:

- (a) the standard of the Servicing and the determination and allocation of Realised Losses remains unchanged,
- (b) the obligations under the Transaction Documents remain to be complied with, and
- (c) in the professional judgment of the Bank such change will not adversely affect the interests of the Transaction Creditors.

CREDIT AND COLLECTION POLICIES

The following is a selective summary description of certain policies and procedures forming part of the Credit and Collection Policies.

A. Origination Network

DEPFA is headquartered in Dublin, Ireland and has an international network of 5 subsidiaries and 13 offices across Europe, the US and Asia (Tokyo and Hong Kong). Responsibility for its infrastructure finance portfolio rests with the Infrastructure Finance Unit ("IFU"), which is also headquartered in Dublin. Of IFU's total of 42 staff, 16 are based in Dublin itself, 7 in New York, 4 in each of Tokyo, London and Paris, 3 in Madrid, 2 in Rome and 1 in each of Frankfurt and Hong Kong.

Origination of infrastructure project loans, bonds and guarantees is the responsibility of IFU. This is done through a combination of direct contacts with Borrowers and their sponsoring shareholders and through the banking markets and capital markets. Separate teams within IFU have defined geographical responsibilities for origination of infrastructure project loans. Potential loans must be to infrastructure projects that have a link to the public sector, typically through a concession agreement or similar and be in the sectors described in the Reference Pool Provisions.

B. Origination Process

The precise steps in the origination process depend upon whether a loan or guarantee is being negotiated directly with the client or is being acquired from a bank in primary or secondary syndication. Bonds are always purchased in primary or secondary syndication. If the latter, the offer letter stages of the process generally do not apply.

1 Non-binding Offer Letter

After initially discussing a client's financing request, the executive responsible within the UK Team sends out indicative term sheets or a non-binding offer letter that are subject to credit approval, appropriate due diligence and satisfactory documentation.

2 Credit Application

The executives responsible within the relevant geographical team prepare a Decision Paper for the credit committee. They compile the necessary loan and project information. A typical Decision Paper contains:

- A description of the project, the sector, the sponsors and the relationship with the public sector
- A summary of the proposed loan, bond or guarantee: purpose, structure, internal rating, pricing and syndication strategy (if applicable)
- Details of the proposed arrangements for the project including the key terms of the concession agreement, the construction contract and contractor, the operating arrangements and the operator
- Existing exposure to the parties involved in the project, if relevant
- Creditworthiness of borrower / co-obligor / guarantor (if applicable)
- A summary of the collateral

- A financial and sensitivity test analysis
- A summary of the due diligence either undertaken or to be undertaken prior to either signing or first disbursement
- An analysis of the key risks and their mitigants
- A recommendation

The Decision Paper is reviewed and approved by the head of the relevant geographical team and the head of IFU.

3 Credit Approval

The Decision Paper is reviewed by the Special Risk Unit ("**SRU**"), a credit department responsible, inter alia, for the credit management of IFU's portfolio. The head of SRU produces an opinion sheet which comments on the key aspects of the transaction and recommends approval, or not, to the credit committee.

The credit committee has authority delegated by the board of DEPFA up to pre-agreed limits. In the case of IFU's transactions, this limit is currently €514.39 million. The credit committee has five members. Decision-making is based on IFU's Decision Paper and SRU's opinion sheet and is by majority although there is a preference for unanimity.

4 Binding Offer Letter

A binding offer letter, subject to documentation and, where appropriate, satisfactory due diligence, may be sent to the client. Authority to send such a letter rests with IFU and is subject to internal authorised signatory requirements.

5 Documentation

Responsibility within DEPFA for assuring the adequacy of documentation of the loan, bond or guarantee, the collateral and other related agreements rests with IFU. In the case of loans or guarantees arranged directly with the Borrower external counsel are used for their drafting. In the case of loans, bonds or guarantees acquired in primary or secondary syndication, while external counsel are generally used, responsibility for their instruction rests with the banks that arrange the transaction.

At the end of the documentation process, the transaction team produces a documentation review, which sets out the details on the transaction documents and confirms their consistency with the Decision Paper. The documentation review is reviewed by the head of IFU and by SRU.

C. Servicing Process

1 Disbursement

Disbursements are the responsibility of administrative personnel within IFU. The transaction team produces a commitment report, setting out details of the Borrower, amounts, repayment terms and pricing. Drawdowns of loans and issues of guarantees are made on notice from the Borrower, via the Agent Bank where appropriate save in respect of participations, where the relationship is with the lender of record. Where applicable, transaction legal counsel confirms the fulfilment of all conditions precedent to first disbursement. These typically include:

- Signature and effectiveness of all project contracts
- Receipt of satisfactory due diligence reports
- Due authorisation of the transaction by all parties thereto
- Implementation of insurance policies
- Delivery of a satisfactory cash flow analysis with demonstrating that the project has achieved
- Agreed minimum coverage ratios
- Delivery of sponsor accounts
- Perfection of all collateral
- Opening of all bank accounts, and
- Receipt by the lenders of satisfactory legal opinions.

Settlements of purchases of bonds are generally made in one lump sum on acquisition of the bond. The release of proceeds to the borrower is controlled by the bond trustee who will generally go through a similar process to that described above in respect of disbursements of loans and issues of guarantees. There are slight variations to these procedures for loans booked in DEPFA's branches outside Dublin, where additional local cash control and other administrative requirements need to be met.

2 Monitoring

Ongoing credit monitoring is a critical precondition for the early identification of any difficulties. All IFU assets are subject to credit reviews on a six monthly basis during their construction period and an annual basis following construction or refurbishment completion. Under certain circumstances, SRU may require that credit reviews are produced more frequently. Credit reviews are prepared by IFU, reviewed by SRU and submitted to the credit committee.

The monitoring reports, which are based on information submitted by the Borrower and reports received from due diligence advisers, where required under the documentation, include:

- The amounts and tenor of the loan
- An update of the project's progress and performance
- A description of any problems with project that have arisen since the last review period and the steps taken to resolve them, and
- An updated rating sheet

3 Changes to the Financing

Requests for waivers or changes are authorised by either the Head of IFU, or in his absence a Dublin-resident A signatory not involved in the origination of the relevant Reference Obligation. Prior to such authorisation, they are discussed with the Head of SRU or his alternate. The Head of IFU or his alternate as the case may be will agree with the Head of SRU or his alternate upon whether the matter that is the subject of a change or waiver requires the approval of the Credit Committee

4 Loss History

DEPFA has been originating infrastructure project loans since 1998 and has made one loss provision to date. This provision related to a loan to a greenfield toll road project where the traffic proved insufficient to allow the borrower to meet its debt service obligations.

5 Arrears Management

The administration team within IFU produces a monthly repayment report. This is used on a daily basis as required, together with notices from agent banks where applicable, to advise the settlements department of payments that are due. When these are not received, the settlements department advises IFU that a payment is outstanding. IFU then makes enquiries of the borrower or the agent bank as applicable.

Any failures to pay on time experienced by DEPFA to date in its portfolio to date have had administrative causes and have been satisfactorily resolved.

THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL

The Certificates

On the Issue Date, the Counterparty will issue Certificates signed by the Counterparty as obligor.

Characteristics

Each Certificate is a certificate of indebtedness (*Schuldschein*) credit linked to the performance of the Reference Pool and the Reference Obligations which constitutes an undertaking of indebtedness (*abstraktes Schuldversprechen*) of the Counterparty pursuant to § 780 of the German Civil Code (*Bürgerliches Gesetzbuch*) to pay to the Creditor thereof, subject to and in accordance with the Conditions of the Certificates, the principal amount and interest accrued thereon specified below.

Each Certificate is deposited with the Counterparty.

Each Certificate (i) ranks *pari passu* with all other unsecured and unsubordinated obligations of the Counterparty, subject to reductions of principal of and, due to such principal reductions, interest on the Certificates as a result of the Loss Allocation to the Notes and (ii) has terms and conditions regarding payments of principal and interest matching with the terms and conditions of the corresponding Class of Notes as set out below.

Conditions of the Certificates

The following is the text of the Conditions of the Certificates.

1 Certificates; Definitions

1.1 Certificates

On the Issue Date, the Counterparty issues the following Certificates in respect of its undertaking to pay the following principal amounts and interest thereon to the Creditor pursuant to these conditions (the "**Conditions of the Certificates**"):

- (a) A+ Certificate in an initial principal amount of € 250,000,
- (b) A Certificate in an initial principal amount of € 45,000,000,
- (c) B Certificate in an initial principal amount of € 9,000,000,
- (d) C Certificate in an initial principal amount of € 9,000,000,
- (e) D Certificate in an initial principal amount of € 9,000,000, and
- (f) E Certificate in an initial principal amount of € 6,750,000.

1.2 Related Transactions; Reference Pool

- (a) The Issuer issues the following Notes pursuant to the Terms and Conditions attached hereto as Schedule 1:
 - (i) the Class A+ Notes which are issued in an initial aggregate principal amount of € 250,000 and divided into 5 Class A+ Notes, each having a principal amount of € 50,000,
 - (ii) the Class A Notes which are issued in an initial aggregate principal amount of € 45,000,000 and divided into 900 Class A Notes, each having a principal amount of € 50,000,
 - (iii) the Class B Notes which are issued in an initial aggregate principal amount of € 9,000,000 and divided into 180 Class B Notes, each having a principal amount of € 50,000,
 - (iv) the Class C Notes which are issued in an initial aggregate principal amount of € 9,000,000 and divided into 180 Class C Notes, each having a principal amount of € 50,000,
 - (v) the Class D Notes which are issued in an initial aggregate principal amount of € 9,000,000 and divided into 180 Class D Notes, each having a principal amount of € 50,000, and
 - (vi) the Class E Notes which are issued in an initial aggregate principal amount of € 6,750,000 and divided into 135 Class E Notes, each having a principal amount of € 50,000.
- (b) The Notes are credit linked to the performance of (i) the Reference Pool and (ii) the Reference Obligations.
- (c) On or before the date hereof, the Bank and the Counterparty have entered into the Bank Swap whereby the Counterparty will pay to the Bank, subject to the allocation of Realised Losses to the Outstanding Threshold Amount

until such amount has been reduced to zero, amounts equal to losses incurred in the Reference Pool.

- (d) On or before the date hereof, the Issuer, the Bank and the Counterparty have entered into the Trust Agreement with Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstraße 6, 40476 Düsseldorf, Federal Republic of Germany as Trustee. The text of the Trust Agreement (excluding the Schedules thereto) is attached as Appendix A to the Terms and Conditions and constitutes an integral part of the Terms and Conditions.

1.3 Definitions

Unless the context requires otherwise, terms used but not defined herein have the same meaning given to them in the Transaction Definitions Schedule forming part of the Terms and Conditions, as attached to the Global Notes of the credit linked notes issued by the Issuer on or about 18 July 2006 and all other references shall be construed in accordance therewith.

2 Status of the Certificates

The Certificates constitute unsecured and unsubordinated obligations of the Counterparty, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Counterparty, subject to the order in respect of the Loss Allocation and, if relevant, payment of principal in accordance with these Conditions of the Certificates.

The payment of principal of and, due to potential principal reductions, interest on the Certificates is conditional upon the performance of the Notes as set out in Section 8 (Loss Allocation). There is no guarantee that the Creditor shall receive the full initial principal amount of the relevant Certificate and interest thereon and ultimately the obligations of the Counterparty to pay principal under any Certificate could be reduced to the product of €1 and the number of Notes of the Class of Notes relating to such Certificate as a result of losses incurred in respect of the Reference Obligations.

3 Obligations under the Certificates

The Certificates represent obligations of the Counterparty only, and do not represent an interest in or obligations of the Issuer, the Trustee, the Bank, the Agents, or any of their respective affiliates or any affiliate of the Counterparty or any other third person or entity.

4 No Interest in the Notes and Reference Obligations

The Creditor shall have no right to or interest in any Note or Reference Obligation even in the case that a Realised Loss in respect of such Reference Obligation has been allocated to the Notes in accordance with the Loss Allocation which resulted in a reduction of the principal and/or interest payable under the Certificates.

5 Credit Link to the Notes and Reference Obligations

The payment of principal of and, due to potential principal reductions, interest on the Certificates in full is dependent upon the absence of principal reductions under the Notes, as set out in Section 8 (Loss Allocation). The payments under the Notes are, in turn,

dependent upon the performance of the Reference Pool as set out in the Terms and Conditions.

6 Payments

6.1 Manner

Payments in respect of each Certificate shall be made by the Counterparty on the due date to the account specified by or on behalf of the Creditor to the Counterparty from time to time in writing not later than twenty (20) Frankfurt Business Days prior to a day on which payment in respect of the relevant Certificate is due pursuant to these Conditions of the Certificates.

6.2 Determinations

All amounts payable under the Certificates shall be determined by the Certificates Calculation Agent (as such term is defined in Section 14 (*Agents*)).

All determinations and calculations made by the Certificates Calculation Agent for the purposes of the Certificates shall, in the absence of manifest error, be final and binding.

6.3 Non-Business Days

If the date for any payment in respect of any Certificate is not a Business Day, such payment shall not be made until the next succeeding day which is a Business Day unless it would thereby fall into the next calendar month, in which case the payment shall be made on the immediately preceding Business Day.

7 Payments of Interest

7.1 Accrual Basis

The principal amount of each Certificate shall bear interest from the Issue Date until the close of the day (both days inclusive) preceding the day on which such amount has been paid in full or the principal amount such Certificate is reduced to the product of €1 and the number of Notes of the Class of Notes relating to such Certificate pursuant to Section 8 (*Loss Allocation*).

7.2 Payment Dates; Interest Amounts

The amount of interest payable in respect of each Certificate on each Payment Date shall be as follows:

- (a) in the case of the A+ Certificates, an amount equal to the aggregate Interest Amounts payable on the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) in the case of the A Certificates, an amount equal to the aggregate Interest Amounts payable on the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) in the case of the B Certificates, an amount equal to the aggregate Interest Amounts payable on the Class B Notes on such date pursuant to the Terms and Conditions,

- (d) in the case of the C Certificates, an amount equal to the aggregate Interest Amounts payable on the Class C Notes on such date pursuant to the Terms and Conditions,
- (e) in the case of the D Certificates, an amount equal to the aggregate Interest Amounts payable on the Class D Notes on such date pursuant to the Terms and Conditions, and
- (f) in the case of the E Certificates, an amount equal to the aggregate Interest Amounts payable on the Class E Notes on such date pursuant to the Terms and Conditions.

plus any interest amounts payable pursuant to Section 10.2 (*Termination for Default – Method and Amount*) or Section 12 (*Deferred Redemption*) of the Terms and Conditions.

8 Loss Allocation

8.1 Reduction of Principal Amounts

On each date on which any Realised Loss is allocated to the Notes pursuant to Section 13 (*Loss Allocation*) of the Terms and Conditions the principal amount of each Certificate shall be reduced as follows:

- (a) the principal amount of the A+ Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) the principal amount of the B Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class C Notes on such date pursuant to the Terms and Conditions,
- (e) the principal amount of the D Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class D Notes on such date pursuant to the Terms and Conditions, and
- (f) the principal amount of the E Certificates shall be reduced by an amount equal to the amount of Realised Losses allocated to the Class E Notes on such date pursuant to the Terms and Conditions

8.2 Re-increase

On each Payment Date on which the principal amount of the Notes of any Class is increased as a result of any (i) Late Recoveries procedure pursuant to Section 14 (*Late Recoveries*) of the Terms and Conditions or (ii) Unjustified Loss Allocation pursuant to Section 15 (*Unjustified Loss Allocation*) of the Terms and Conditions and subject to the Payment Condition, the principal amounts of the Certificates shall be increased as follows:

- (a) the principal amount of the A+ Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) the principal amount of the B Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class C Notes on such date pursuant to the Terms and Conditions,
- (e) the principal amount of the D Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class D Notes on such date pursuant to the Terms and Conditions, and
- (f) the principal amount of the E Certificates shall be increased by an amount equal to the increase of the Class Principal Amount of the Class E Notes on such date pursuant to the Terms and Conditions.

8.3 Interest on Late Recoveries and Unjustified Loss Allocation

On each Payment Date on which the principal amount of any Certificate is increased as a result of any Late Recovery pursuant to Section 14 (*Late Recoveries*) of the Terms and Conditions and / or any Unjustified Loss Allocation pursuant to Section 15 (*Unjustified Loss Allocation*) of the Terms and Conditions, the Counterparty shall, pay to the Creditor in respect of each such Certificate an amount equal to the amount payable by the Issuer pursuant to Section 14.2 (*Late Recoveries – Further Conditions*) of the Terms and Conditions and / or the amount payable by the Issuer pursuant to Section 15.1(b) (*Unjustified Loss Allocation - Reversal of Realised Losses*) of the Terms and Conditions on the corresponding Class of Notes as follows:

- (a) on the A+ Certificate in an amount equal to the amount of the interest payable on the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) on the A Certificate in an amount equal to the amount of the interest payable on the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) on the B Certificate in an amount equal to the amount of the interest payable on the Class B Notes on such date pursuant to the Terms and Conditions,

- (d) on the C Certificate in an amount equal to the amount of the interest payable on the Class C Notes on such date pursuant to the Terms and Conditions,
- (e) on the D Certificate in an amount equal to the amount of the interest payable on the Class D Notes on such date pursuant to the Terms and Conditions, and
- (f) on the E Certificate in an amount equal to the amount of the interest payable on the Class E Notes on such date pursuant to the Terms and Conditions.

9 Payment of Principal

9.1 Redemption of Notes

On each date on which the Class Principal Amount of any Class of Notes is redeemed (in full or in part) pursuant to the Terms and Conditions the principal amount of the Certificates shall be paid by the Counterparty to the Creditor as follows:

- (a) the principal amount of the A+ Certificates in an amount equal to the amount of the redemption of the Class A+ Notes on such date pursuant to the Terms and Conditions,
- (b) the principal amount of the A Certificates in an amount equal to the amount of the redemption of the Class A Notes on such date pursuant to the Terms and Conditions,
- (c) the principal amount of the B Certificates in an amount equal to the amount of the redemption of the Class B Notes on such date pursuant to the Terms and Conditions,
- (d) the principal amount of the C Certificates in an amount equal to the amount of the redemption of the Class C Notes on such date pursuant to the Terms and Conditions,
- (e) the principal amount of the D Certificates in an amount equal to the amount of the redemption of the Class D Notes on such date pursuant to the Terms and Conditions, and
- (f) the principal amount of the E Certificates in an amount equal to the amount of the redemption of the Class E Notes on such date pursuant to the Terms and Conditions.

9.2 Counterparty Tax Event; Counterparty Regulatory Event

On any Payment Date following the occurrence of a Counterparty Regulatory Event or a Counterparty Tax Event, the Counterparty shall have the right but no obligation to pay the principal amount of each Certificate (all but not some only) to the Creditor in the amount determined pursuant to Section 9.1(a) (*Payment of Principal – Redemption of Notes*) through (f) for such date.

10 Pre-payment by the Counterparty

Except as set forth in Section 9 (*Payment of Principal*) the Counterparty shall not have the right to pay the principal amount of any Certificate in whole or in part. The Counterparty

hereby expressly waives any right of early termination which it may have at any time under any applicable law.

11 Taxes

Payments in respect of the Certificates shall only be made after the deduction and withholding of current or future taxes, levies or governmental charges, regardless of their nature, which are imposed, levied or collected (collectively, "**taxes**") under any applicable system of law or in any country which claims fiscal jurisdiction by, or for the account of, any political subdivision thereof or government agency therein authorised to levy taxes, to the extent that such deduction or withholding is required by law. The Counterparty shall account for the deducted or withheld taxes with the competent government agencies and shall, upon request of the Creditor, provide a proof thereof.

The Counterparty is not obliged to pay any amounts as compensation for deduction or withholding of taxes in respect of payments on the Certificates.

12 Assignment

The rights and claims of the Creditor under each Certificate may be assigned in writing and with the prior written consent of the Counterparty only. In the case of an assignment, the assignor shall inform the Counterparty of such assignment and the address of the assignee for the purposes of Section 13 (*Communications*).

The assignee shall then have the rights and claims of the Creditor in accordance with the Certificate so assigned.

13 Communications

All communications under the Certificates shall be made by mail or by fax, provided that notices made by fax must be confirmed by mail.

Any communication under the Certificates shall be in English.

Subject to written notification of any change of address, all notices under the Certificates to the parties set out below shall be directed to the following addresses:

(a) if to the initial Creditor:

Essential Public Infrastructure Capital II GmbH
Eysseneckstraße 4
60322 Frankfurt am Main
Federal Republic of Germany

Attention: The Directors
Telephone: +49 (0)69 944 111 99
Facsimile: +49 (0)69 255 773 99

(b) if to the Counterparty:

KfW
Palmengartenstraße 5-9
60325 Frankfurt am Main
Federal Republic of Germany

Attention: TMb4-Collateral Management/Loan Securitisation
Telephone: (+49) 69 7431-0

Facsimile: (+49) 69 7431-3930

14 Agents

The Counterparty has appointed the Principal Paying Agent as the initial Certificates Calculation Agent in respect of the Certificates.

The Counterparty shall procure that for as long as any payment obligation under any of the Certificates remains outstanding there is a Certificates Calculation Agent appointed which shall be at all times the Principal Paying Agent under the Notes.

15 Miscellaneous

15.1 Place of Performance

Place of performance of the Certificates shall be Frankfurt am Main.

15.2 Severability

If any provision hereof is or becomes invalid in whole or in part, the remaining provisions shall remain unaffected thereby.

15.3 Undertaking of Indebtedness (*Schuldversprechen*)

Each Certificate constitutes an abstract undertaking of indebtedness (*abstraktes Schuldversprechen*) in written form pursuant to § 780 of the German Civil Code (*Bürgerliches Gesetzbuch*). The Certificates do not represent loans nor have the Certificates been issued on the basis of or in respect of any loans.

15.4 Surrender

Each Certificate shall be surrendered to the Counterparty upon discharge of all obligations of the Counterparty evidenced thereby.

16 Applicable Law and Place of Jurisdiction

16.1 Applicable Law

The Certificates and the agreements evidenced thereby shall be governed by the laws of the Federal Republic of Germany.

16.2 Jurisdiction

The place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Certificates and the agreements evidenced thereby shall be the District Court (*Landgericht*) in Frankfurt am Main (non-exclusive jurisdiction).

Purchase by the Issuer

On the Issue Date, the Issuer will purchase the Certificates from the Counterparty pursuant to the Certificate Purchase Agreement. The Issuer will use the proceeds of the issue of the Notes to pay to the Counterparty the purchase price for the Certificates on the Issue Date.

Further Assignment

Pursuant to the Conditions of the Certificates each assignment of a Certificate requires the prior written consent of the Counterparty. The Counterparty has given its consent to the First Pledge and the Second Pledge at the time of the sale of the Certificates to the Issuer. In addition, pursuant to the Trust Agreement the Trustee undertakes neither to assign nor to give its consent to any assignment of a Certificate by the Issuer (except in connection with the substitution of the Issuer pursuant to Section 20 (*Substitution of the Issuer*) of the Terms and Conditions and the Issuer undertakes not to assign any Certificate without the Trustee's prior written consent.

Payments on the Notes

The Issuer will receive the amounts necessary for the payments under the Notes from payments under the Certificates. On each Payment Date payments of principal, if any, and interest on each Class of Notes will be made from the principal and interest received under the corresponding Certificate.

Neither the Notes nor the Certificates will provide for gross-up payments in the case that payments under the Certificates become subject to withholding or deduction of taxes. If any withholding or deduction on account of taxes is imposed with respect to payments by the Counterparty under the Certificates, the amounts payable by the Issuer under any Note of a particular Class on such Payment Date shall be reduced by the amount of such withholding or deduction made with respect to the corresponding Certificate divided by the number of Notes of the Class of Notes relating to such Certificate.

Trustee Collateral

On the Issue Date, the Issuer will grant the First Pledge over (i) all its present and future claims and rights against the Counterparty under the Certificates, (ii) all its present and future claims and rights arising from the Administration Agreement, the Certificate Purchase Agreement, the Agency Agreement, the Transaction Account Agreement, the Transaction Account and the Subscription Agreement and (iii) all its present and future claims and rights against the Trustee arising under the Trust Agreement to the Trustee to secure the Trustee Claim under the Trust Agreement. The Trustee Claim entitles the Trustee to demand that all present and future obligations of the Issuer under the Notes be fulfilled. See "THE TRUST AGREEMENT".

Noteholder Collateral

In addition to the Trustee Collateral, the Issuer will on the Issue Date grant the Second Pledge, a second, junior pledge (*nachrangiges Pfandrecht*), for each Note of a particular Class over all its present and future rights and claims under the corresponding Certificate to the Lead Manager as initial holder of the Notes to secure the Issuer's obligations under such Note pursuant to the Noteholder Security Agreement. The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other. The First Pledge on any Certificate under the Trust Agreement shall rank senior to all Second Pledges in respect of such Certificate created by the Noteholder Security Agreement. The Second Pledges in respect of any Certificate may not be exercised as long as the First Pledge in respect of such Certificate validly exists or the Trustee has not waived its rights arising therefrom or a trustee is appointed in accordance with the Terms and Conditions. The Second Pledges in respect of the Certificates may be exercised upon the Trustee Resignation Effective Date if no successor trustee is appointed in accordance with the Trust Agreement by that time as set out in the Noteholder Security Agreement. The Second Pledges will

be accessory to the Notes and, therefore, upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law and so benefit each subsequent holder of such Note in accordance with the Noteholder Security Agreement. See "THE NOTEHOLDER SECURITY AGREEMENT".

Trustee Collateral, Noteholder Collateral and Loss Allocation

Notwithstanding the Trustee Collateral and the Noteholder Collateral, the amount of principal of and, due to potential principal reductions, interest on the Notes may be reduced as a result of Realised Losses incurred with respect to the Reference Pool and the Reference Obligations and only the obligations of the Issuer to pay any amount of principal and interest determined to be due to the Noteholders in accordance with the Terms and Conditions, which may be reduced by such Realised Losses, will have the benefit of the Trustee Collateral and/or the Noteholder Collateral.

NOTEHOLDER SECURITY AGREEMENT

The following is the text of the Noteholder Security Agreement. The text is attached as Appendix D to the Terms and Conditions and constitutes an integral part of the Terms and Conditions. In case of any overlap or inconsistency in the definition of a term or expression in the Noteholder Security Agreement and elsewhere in this Prospectus, the definition in the Noteholder Security Agreement will prevail.

This Noteholder Security Agreement (the "**Agreement**") is entered into on 18 July 2006 between ESSENTIAL PUBLIC INFRASTRUCTURE CAPITAL II GMBH, a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) incorporated under the laws of the Federal Republic of Germany with its registered office at Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany (the "**Issuer**") and MERRILL LYNCH INTERNATIONAL, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ, United Kingdom (the "**Pledgee**") and DELOITTE & TOUCHE GMBH WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT, with its registered office at Schwannstraße 6, 40476 Düsseldorf, Federal Republic of Germany (the "**Trustee**").

WHEREAS:

- (A) The parties hereby record the arrangements between them in respect of the issue of the following classes of credit linked notes by the Issuer:
- (a) € 250,000 Class A+ Notes,
 - (b) € 45,000,000 Class A Notes,
 - (c) € 9,000,000 Class B Notes,
 - (d) € 9,000,000 Class C Notes,
 - (e) € 9,000,000 Class D Notes, and
 - (f) € 6,750,000 Class E Notes.
- (B) On the Issue Date, the Pledgee acquires all of the Notes pursuant to the Subscription Agreement as the initial holder of the Notes.
- (C) Unless the context requires otherwise, terms used but not defined herein have the same meaning given to them in the Transaction Definitions Schedule forming part of the Terms and Conditions, as attached to the Global Notes of the credit linked notes issued by the Issuer on or about 18 July 2006 and all other references shall be construed in accordance therewith. The Pledgee confirms that it has knowledge of the provisions of the Terms and Conditions, including the Trust Agreement.

NOW THEREFORE, the parties agree as follows:

1 Second Pledges over Certificates

- 1.1 On the Issue Date, the Issuer has purchased from the Counterparty the following classes of Certificates of the Counterparty credit linked to the performance of the Reference Pool and the Reference Obligations:
- (a) the A+ Certificates in an initial principal amount of € 250,000,
 - (b) the A Certificates in an initial principal amount of € 45,000,000,
 - (c) the B Certificates in an initial principal amount of € 9,000,000,

- (d) the C Certificates in an initial principal amount of €9,000,000,
- (e) the D Certificates in an initial principal amount of €9,000,000, and
- (f) the E Certificates in an initial principal amount of €6,750,000.

1.2 The Issuer as legal and beneficial owner of the Certificates hereby grants to the Pledgee the following Second Pledge subordinated in accordance with Clause 1.4 (*Second Pledges over Certificates*) below:

- (a) for each Class A+ Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the A+ Certificates to secure the Issuer's obligations under such Note;
- (b) for each Class A Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the A Certificates to secure the Issuer's obligations under such Note;
- (c) for each Class B Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the B Certificates to secure the Issuer's obligations under such Note;
- (d) for each Class C Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the C Certificates to secure the Issuer's obligations under such Note;
- (e) for each Class D Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the D Certificates to secure the Issuer's obligations under such Note; and
- (f) for each Class E Note, the Issuer hereby grants a pledge (*Pfandrecht*) pursuant to §§ 1204, 1273 and 1279 of the German Civil Code (*Bürgerliches Gesetzbuch*) on all its present and future rights and claims under the E Certificates to secure the Issuer's obligations under such Note.

1.3 The Second Pledges securing the Notes of a particular Class shall rank *pari passu* among each other.

1.4 Prior to the Second Pledges being created pursuant to Clause 1.2 (*Second Pledges over Certificates*) above, the Issuer granted a First Pledge over all its present and future rights and claims under the Certificates to the Trustee pursuant to the Trust Agreement as security for the Trustee Claim. The First Pledge on any Certificate shall rank senior to all Second Pledges in respect of such Certificate created hereby. The Pledgee hereby acknowledges and confirms the continuing priority of the First Pledge.

1.5 The Pledgee acknowledges that the Second Pledges (including the agreement pursuant to Clause 1.6 below (*Second Pledges over Certificates*)) will be accessory to the Notes (§ 1250 of the German Civil Code (*Bürgerliches Gesetzbuch*)) and,

therefore, upon the transfer of each Note the Second Pledge securing such Note will pass on to the transferee by operation of law.

- 1.6** Notwithstanding the provisions of Clause 1.4 above (*Second Pledges over Certificates*), the Trustee hereby agrees with the Pledgee that the Second Pledge in respect of any Note pursuant to Clause 1.2 above (*Second Pledges over Certificates*) may be exercised upon the Trustee Resignation Effective Date if on such day no successor trustee is appointed in accordance with the Trust Agreement by the then current holder of such Note towards satisfaction of the obligations of the Issuer under such Note. The agreement in this Clause 1.6 (*Second Pledges over Certificates*) shall operate for the benefit of any Noteholder from time to time and constitutes a contract for the benefit of a third party pursuant to § 328 of the German Civil Code (*echter Vertrag zugunsten Dritter*).

2 Representation of the Issuer

The Issuer hereby represents to the Pledgee that:

- (a) the Issuer is the holder of the Pledged Claims;
- (b) except for the First Pledge, none of the Pledged Claims has previously been transferred, assigned, pledged or otherwise charged to any third party; and
- (c) except for the First Pledge, no third-party rights to or in relation to any of the Pledged Claims have been created by it or, to the best of its knowledge, exist.

3 Governing Law; Place of Performance; Jurisdiction; Taxes

- 3.1** This Agreement shall be governed by, and construed in accordance with, the laws of the Federal Republic of Germany.
- 3.2** Place of performance for the obligations of the parties hereto is Frankfurt am Main.
- 3.3** This Agreement (including this Clause 3.3 (*Governing Law; Place of Performance; Jurisdiction; Taxes*)) may only be amended by prior written agreement of all parties hereto.
- 3.4** The non-exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with this Agreement shall be the District Court (*Landgericht*) in Frankfurt am Main.
- 3.5** The Issuer shall pay all stamp duties, registration or other similar taxes to which this Agreement may at any time be subject.

4 Trustee

The Trustee is only party to this Agreement for the purposes of Clause 1.6 (*Second Pledges over Certificates*) and has no other obligations or liabilities hereunder.

5 Condition Precedent

This Agreement and the rights and obligations hereunder are subject to the condition precedent that the Second Pledges will become effective only after the Trust Agreement including the First Pledge has become effective and that accordingly the Second Pledges rank junior to the First Pledge pursuant to § 1209 of the German Civil Code (*Bürgerliches Gesetzbuch*), even if, in the case of pledges which are subject to a condition precedent, the

chronological order of the occurrence of such conditions (and not of the agreements and notifications constituting the conditional pledges) would be relevant for the rank of such pledges pursuant to § 1209 of the German Civil Code (*Bürgerliches Gesetzbuch*).

6 Counterparts

This Agreement may be executed by facsimile and in one or more counterparts. Each signed counterpart shall constitute an original.

THE ISSUER

Registration Number, Domicile

The Issuer is registered under HRB 76002 at the commercial register of the local court (*Amtsgericht*) in Frankfurt am Main, Federal Republic of Germany. The Issuer's business address is Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany (phone number: +49 (0)69 944 111 99).

Foundation, Ownership, Duration, Purpose

The Issuer was (i) established on 27 October 2005 as a special purpose vehicle for asset backed securities transactions by TSI Services GmbH, Mainzer Landstraße 51, 60329 Frankfurt am Main, Federal Republic of Germany under the name of "Provide 1 GmbH" and (ii) registered with the commercial register of the local court (*Amtsgericht*) in Frankfurt am Main, Federal Republic of Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) on 23 November 2005.

The Issuer's legal name has been changed to "Essential Public Infrastructure Capital II GmbH" by a shareholder resolution dated 11 April 2006 which has been registered with the commercial register of the local court (*Amtsgericht*) in Frankfurt am Main as of 24 April 2006.

On or prior to the Issue Date, TSI Services GmbH donated all the shares of the Issuer held by it to:

- (a) Stiftung Kapitalmarktrecht für den Finanzstandort Deutschland,
 - (b) Stiftung Kapitalmarktforschung für den Finanzstandort Deutschland, and
 - (c) Stiftung Unternehmensfinanzierung und Kapitalmärkte für den Finanzstandort Deutschland
- (together, the "**Shareholders**") in equal shares. The Issuer is established for an indefinite period.

Pursuant to Section 2 of the Issuer's articles of association (*Gesellschaftsvertrag*), the Issuer's purpose is to act as a special purpose vehicle for asset backed securities transactions of a credit institution. In relation thereto the Issuer will, in particular:

- (i) acquire credit linked certificates of indebtedness (*Schuldscheine*) from KfW,
- (ii) finance such acquisition via issuing notes, and
- (iii) execute agreements in connection with and enter into ancillary transactions in relation to (i) and (ii).

The Issuer shall not:

- (aa) perform or provide for the performance of active management of the purchased assets under profit aspects,
- (bb) conduct business requiring it to obtain a banking license under the German banking act (*Kreditwesengesetz*),
- (cc) acquire real property (*Grundbesitz*),
- (dd) administer, establish, acquire or participate in other companies (*Unternehmen*), and
- (ee) execute control agreements (*Beherrschungsverträge*), profit and loss transfer agreements (*Gewinnabführungsverträge*), or other corporate agreements (*Unternehmensverträge*).

Managing Directors of the Issuer

Pursuant to Section 8 of the Issuer's articles of association the Issuer is managed by at least two and not more than three managing directors (*Geschäftsführer*). The managing directors are

appointed by the shareholders' meeting of the Issuer. The Issuer is represented by its managing directors jointly. As at the date of this Prospectus, the managing directors of the Issuer are:

Dr. Heinrich Heyne	c/o SFM Structured Finance Management (Deutschland) GmbH, Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany Principal activities: Economist and company director
Harm Abrahams	c/o SFM Structured Finance Management (Deutschland) GmbH, Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany Principal activities: Managing Director of SFM Structured Finance Management (Deutschland) GmbH

Capital of the Issuer

The registered share capital of the Issuer amounts to €25,050 and consists of three fully paid-in shares (*voll eingezahlte Gesellschaftsanteile*) of €8,350 each. Each of the Shareholders holds one share in the Issuer. Pursuant to Section 3.4 of the Issuer's articles of association none of the Issuer's shareholders is obliged to make additional contributions (*Nachschüsse*).

As at the date of this Prospectus, no resolutions on measures regarding the share capital of the Issuer have been taken or proposed.

Capitalisation of the Issuer

The following is a copy of the opening balance sheet of the Issuer as of 27 October 2005:

	ASSETS (€)	LIABILITIES (and equity) (€)
Current Assets		
Cash	25,050	
		Subscribed share capital
		25,050
	25,050	25,050

Save for the foregoing and the Notes to be issued, at the Issue Date, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but un-issued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Annual Financial Statements of the Issuer

The Issuer will prepare audited financial statements on an annual basis in accordance with German GAAP pursuant to the applicable provisions of the German Commercial Code (*Handelsgesetzbuch, HGB*). The Issuer will not prepare interim financial statements. The Issuer's financial year is the calendar year. As of the date of this Prospectus, no audited financial statements have been prepared by the Issuer since the date of its incorporation.

Auditors of the Issuer

The Issuer has appointed WLP GmbH, Heidenkampsweg 51, 20097 Hamburg, Federal Republic of Germany ("**WLP**") as its statutory auditors.

WLP has prepared the financial statement on 31 December 2005 for the Issuer including a check of plausibility of its substantial elements. WLP is a member of the German Chamber of Public Accountants (*Wirtschaftsprüferkammer*) and of the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer IDW*), Berlin. Audits and construction of financial statements occur according to generally accepted auditing standards and accounting principles in the Federal Republic of Germany.

Corporate Administration of the Issuer

The managing directors manage the current operations of the Issuer. The Administrator has agreed to perform administration, accounting, secretarial and office services according to the Administration Agreement.

Commencement of Operations

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its incorporation under the German Act on Limited Liability Companies (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*), the authorisation and issue of the Notes, the acquisition of the Certificates, the execution of the documents and matters referred to or contemplated in this Prospectus and matters which are incidental or ancillary to the foregoing as well as to other documents and matters in relation to the potential issue of further Notes. The Issuer has only carried on activities since 27 October 2005, its date of incorporation.

Expenses

It is estimated that the expenses (including legal expenses, listing expenses and initial expenses of service providers) associated with the issue of the Notes will not exceed 1% of the initial Class Principal Amounts of the Notes.

Litigation, Arbitration and Governmental Proceedings

The Issuer has not been engaged in any litigation or arbitration proceedings or governmental proceedings which may have a significant effect on its financial position since its incorporation, nor, as far as the Issuer is aware, are any such litigation or arbitration proceedings or governmental proceedings pending or threatened.

Material Change

Except as may be set out in this Prospectus, there has been no material adverse change in the financial position of the Issuer since its incorporation.

CORPORATE ADMINISTRATION AND TRANSACTION ACCOUNT

Administration Agreement

The Issuer has entered into the Administration Agreement dated 11 July 2006 with SFM Structured Finance Management (Deutschland) GmbH, a company with limited liability incorporated under the laws of Germany whose registered office is at Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany as Administrator. The Issuer has appointed the Administrator to maintain certain corporate records for the Issuer, to assist in the preparation of the Issuer's financial statements, to provide the Issuer with its managing directors and to provide other administrative services. Neither the Administrator nor any director or employee of the Administrator shall have any responsibility or liability for any statements, representations, warranties or covenants made by the Issuer in this Prospectus. The Administration Agreement is governed by German law.

Description of the Administrator

The Administrator is SFM Structured Finance Management (Deutschland) GmbH whose business address is Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany.

The principal activity of the Administrator is to provide corporate services, independent directors and management of special purpose vehicle companies in Germany.

The information under "Description of the Administrator" has been provided by the Administrator, and neither the Issuer nor any Bank Entity nor the Counterparty assumes any responsibility for its contents.

As consideration for the performance of its services and functions under the Administration Agreement, the Issuer will pay the Administrator a fee as agreed in connection with the Administration Agreement.

All claims of the Administrator against the Issuer have been agreed to be subject to limited recourse.

Termination of the Administration Agreement

The Administration Agreement provides for an automatic termination upon the (i) institution of winding up proceedings relating to or (ii) dissolution of the Issuer.

In addition, the Issuer may, with the prior written consent of the Counterparty and the Trustee, terminate the appointment of the Administrator under the Administration Agreement by giving the Administrator not less than 30 calendar days' prior written notice of such termination.

Further, the Administrator and the Issuer may terminate the Administration Agreement upon the occurrence of certain material events (e.g., a material breach of the terms and conditions of the Administration Agreement by the relevant other party).

Any termination of the Administration Agreement (other than in case of an automatic termination described above), shall (without prejudice to Section 314 (*Kündigung von Dauerschuldverhältnissen aus wichtigem Grund*) of the German Civil Code (*Bürgerliches Gesetzbuch*)) not take effect until, *inter alia*, a substitute Administrator has been appointed.

The Transaction Account

In connection with the Transaction the Issuer will maintain a bank account with Landesbank Hessen Thüringen.

Pursuant to the Trust Agreement, all of the Issuer's rights and claims in respect of the Transaction Account are pledged in favour of the Trustee to secure the Trustee Claim.

Description of the Transaction Account Bank

Landesbank Hessen Thüringen, the Transaction Account Bank, is a leading German bank and financial services organisation. It has more than 5.000 employees world-wide with major branches in Dublin, London and New York. Its principal office is located at Neue Mainzer Str. 52 - 58, 60311 Frankfurt am Main. Landesbank Hessen Thüringen has the following ratings: Aa2 / P-1 (Moody's); A+ / F-1+ (Fitch); A / A-1 (S&P).

The information under "Description of the Transaction Account Bank" has been provided by the Transaction Account Bank and neither the Issuer nor any Bank Entity nor the Counterparty assumes any responsibility for its contents.

The Issuer may, for Serious Cause (*aus wichtigem Grund*), with the prior written consent of the Trustee (which shall not be unreasonably withheld), close the Transaction Account and open a new Transaction Account with another Transaction Account Bank. In such case the Issuer shall within 30 calendar days after receiving such written consent (i) close the Transaction Account with the Transaction Account Bank, (ii) open a new Transaction Account with another Transaction Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Transaction Account to such new Transaction Account.

If the rating of the Transaction Account Bank by any of the Rating Agencies is withdrawn or falls below the Required Rating, the Issuer or, if the Issuer fails to do so, the Trustee, shall within 30 calendar days (i) close the Transaction Account with the Transaction Account Bank, (ii) open a new Transaction Account with another Transaction Account Bank having at least the Required Ratings from each of the Rating Agencies and (iii) transfer any amounts standing to the credit of the Transaction Account to such new Transaction Account.

If (except in the case of an Early Redemption or final redemption of the Classes of Notes rated AAA by S&P and the Classes of Notes rated AA by S&P), at any time:

- (a) the rating of the short-term unsecured and unsubordinated debt obligations of the Transaction Account Bank is less than A-1+ but not less than A-1 by S&P and
- (b) an amount exceeding 20% of the sum of:
 - (i) the Class Principal Amounts of the Classes of Notes rated AAA by S&P and
 - (ii) the Class Principal Amounts of the Classes of Notes rated AA by S&P,

in each case as of the day immediately preceding such date is to be paid by the Counterparty in respect of the Certificates securing such Classes of Notes to the Transaction Account on such date, the Bank and/or the Trustee (to the extent the Trustee becomes aware of such event) shall notify S&P in writing prior to such date, and the Issuer or, if the Issuer fails to do so, the Trustee (to the extent the Trustee becomes aware of such event), shall open a new Transaction Account with another Transaction Account Bank having an A-1+ rating from S&P and the Required Rating from Fitch and provide an instruction to the Counterparty within reasonable time prior to a Payment Date (or such other day on which any amount under the Certificates is payable pursuant to the Certificate Conditions), with the consent of the Trustee, if applicable, to make the payments due under the Certificates in respect of the Classes of Notes rated AAA and AA by S&P on such date to such new Transaction Account.

As consideration for the performance of its services and functions under the Transaction Account Agreement, the Issuer will pay the Transaction Account Bank a fee as separately agreed between the Transaction Account Bank and the Issuer.

All claims of the Transaction Account Bank against the Issuer have been agreed to be subject to limited recourse.

THE BANK

Description of DEPFA BANK PLC

Introduction

DEPFA BANK public limited company ("**DEPFA**") was incorporated in the Republic of Ireland on 9 October 2001 under the Irish Companies Acts, 1963 to 2001 and is the parent company of the DEPFA BANK plc group of companies, comprising DEPFA and its consolidated subsidiaries (the "**Group**"), which is a specialist European provider of financial services to public sector clients. DEPFA is a public limited company based in Dublin and holds a universal banking licence from the Irish Financial Services Regulatory Authority as part of the Central Bank and Financial Services Authority of Ireland (the "**Authority**") under the Irish Central Bank Act 1971 (as amended). DEPFA has been registered in the Irish Companies Registration Office, and has been given company number 348819. Its shares are listed on the Frankfurt Stock Exchange (Official Market). It has a network of subsidiaries, branches and offices across many European countries, as well as in North America and Asia.

Certain Business Developments

DEPFA is the largest Irish bank in terms of consolidated assets, and together with its consolidated subsidiaries, is one of the leading European providers of financing products and services to public sector entities, from government budget financing and financing of infrastructure projects to placing of public sector securities and furnishing investment banking products and other services.

The Group operates in only one business segment, the provision of public finance services. The Group classifies its services under three broad categories: budget finance, investment banking and infrastructure finance.

Based on profit performance the Group is a successful European specialist in budget finance for public sector authorities. Budget finance involves the provision of financial solutions to sovereign clients (e.g. countries) and sub-sovereign clients (e.g. regions, federal states, cities and local authorities) including the origination and syndication of loans, the purchase of bonds and other debt securities issued by such clients on a private placement or syndicated basis, the granting of liquidity backstop facilities and letters of credit and the provision of structured financing solutions (including derivative products), advisory and other related services.

The Group also provides its public sector clients with investment banking services such as the arrangement, origination, syndication and placement of public sector capital market transactions, the structuring and sale of credit derivative products, and the provision of brokerage, trading and other advisory services.

The Group also provides infrastructure financing and services to public sector clients. The Group's infrastructure finance activities focus primarily on providing funding for essential public sector infrastructure projects (e.g. schools, prisons, health care, roads) that are being carried out by privately owned companies under concessions or agreements awarded by public sector entities.

As at and for the year ended 31 December 2005, the Group had operating income of €815 million and total assets of €229 billion, of which a substantial majority was attributable to the Group's budget finance activities. The Group's public sector assets accounted for €181 billion in principal amount at 31 December 2005.

Current Position and Recent Developments

Sale of DEPFA Deutsche Pfandbriefbank AG

In March 2004 DEPFA announced its intention to sell DEPFA Deutsche Pfandbriefbank AG (the "**Pfandbriefbank**"). However, as none of the bids received by DEPFA met its full internal valuation for the Pfandbriefbank, the Board of Directors of DEPFA decided on 15 April 2005 that it was in the best interests of its shareholders to halt the sale of the Pfandbriefbank. This means that the corporate structure of the Group remains unchanged.

The Group will continue as planned to further develop its business with German clients from its branch in Frankfurt.

Expansion in the United States

The Group is in the process of building up a presence in the United States. Activities in the United States are centred on the purchase of taxable General Obligation municipal bonds, liquidity and credit support standby facilities for municipal bond issues as well as financing infrastructure projects. Initially, DEPFA established an agency in New York in 2003, which was converted to a branch in September 2004 from which it now issues Yankee certificates of deposit. Representative offices have been established during the course of 2004 in San Francisco and Chicago.

Business Performance and Outlook

In the first three months of 2006, DEPFA recorded a net profit after taxes of € 134 million (up 13% year-on-year) which corresponds to a return on equity of 22.6% (pretax: 31%). Total revenues in the first quarter remained stable year-on-year and reached €244 million. The net profit in the first quarter was achieved largely on the back of a significant increase in operating income, which rose 24%. Net interest income fell modestly by 3% to €107 million, due to lower contribution from the Global Markets activities. Net fee and commission income, whose scope has been narrowed down considerably under IFRS compared to US-GAAP, rose slightly year-on-year to €5 million and relate principally to income from liquidity facilities in the US. The trading result of €62 million, was up 38% year-on-year.

Personnel and administrative expenditure increased considerably in the first quarter. After three months, total costs amounted to €58 million, an increase of 9%; the cost/income ratio fell to 24% from 27% in Q1 2005.

Financial data in the two preceding paragraphs has been extracted from the unaudited consolidated interim financial statements of DEPFA for the three months ended 31 March 2006. Since 31 March 2006, and save as otherwise disclosed in this Prospectus, there have been no significant changes in the development of DEPFA or the Group. Management believes the group is developing in line with expectations.

Taxation

DEPFA is located in the International Financial Services Centre (the "**IFSC**") in Dublin, Ireland. The IFSC is a special business centre for which lower tax rates apply for offshore business. DEPFA received a certificate under section 446 of the Irish Taxes Consolidation Act 1997, certifying eligibility for lower tax rates effective from 15 May 2002. The government of Ireland has provided for a general rate of 12.5 per cent. corporation tax on all other trading income since 1 January 2003. DEPFA has availed of this rate of 12.5 per cent. since the lower tax rate incentive terminated on 31 December 2005.

Registered Office

The registered office of DEPFA is 1 Commons Street, Dublin 1, Ireland. The telephone number of the registered office is +353 1 792 2222. The registered number of DEPFA is 348819.

Branches, Representative Offices and Subsidiaries of DEPFA

The Group currently has a presence in the following cities through its network of branches, representative offices and subsidiaries: Amsterdam, Copenhagen, Dublin, Frankfurt am Main, Hong Kong, London, Madrid, New York, Nicosia, Paris, Rome, Chicago, San Francisco, Tokyo and Warsaw.

Objects and Share Capital

The primary object of DEPFA as set out in clause 3(1) of its Memorandum of Association is to carry on the business of banking in all its forms, including borrowing, raising or taking up money and employing and using the same.

As of 31 December 2005, DEPFA's authorised share capital was comprised of: (i) €130,100,002 divided into 433,333,340 ordinary shares of €0.30 each, and (ii) of €100,000 divided into 10,000,000 non-cumulative redeemable preference shares with non cumulative dividends of €0.01 each. The issued share capital was €105,905,916 comprised of 353,019,720 ordinary shares and was fully paid up.

The group profit and loss account for the three month-period ended 31 March 2006 in the unaudited interim financial statements contains earnings per share information based on the average number of ordinary shares of DEPFA for the three-month periods ended 31 March 2006 and 2005.

	Unaudited 31.03.2006	Unaudited 31.03.2005
€m		
Weighted average number of ordinary shares	341,890,598	341,890,598
Total earnings per share (€)	0.39	0.35
Diluted earnings per share (€)	0.39	0.35

Regulatory Capital

Under the capital regulations of the IFSRA, at 31 December 2005 DEPFA's tier 1 capital was risk weighted at 12.4% and its total capital to risk-weighted assets ratio was 16.9%. Also at that date, 72.2% of DEPFA's public sector financing assets (which account for over 85% of DEPFA's on balance sheet exposures) were 0% risk-weighted, 0.1% of such assets were 10% risk-weighted, 27.4% of such assets were 20% risk weighted while 0.3% were 100% risk-weighted.

Auditors

DEPFA's auditors are PricewaterhouseCoopers, George's Quay, Dublin 2, Ireland.

Financial Year

The financial year of the Group is the calendar year.

The Board of Directors of DEPFA BANK PLC

There are currently 11 members of the Board of Directors of DEPFA, 3 of whom are Executive Directors. Alternate Directors may also be appointed under the Memorandum and Articles of Association of DEPFA. DEPFA does not have a Supervisory Board.

Members	Principal Outside Activities
Gerhard Bruckermann <i>(Chairman and CEO)</i>	Chairman of the Board of Directors of DePfa-Bank Europe plc. Chairman of the Board of Directors of DEPFA Investment Bank Ltd. Member of the Advisory Board of Karlsruher Rendite Beratungsgesellschaft für Vermögensanlagen GmbH. Member of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Member of the Advisory Board of Arsago Alternative Capital Management, Frankfurt. Member of the Advisory Board of DZ Bank, Frankfurt. Member of the Board of Directors of DBE Property Holdings Limited.
Dr. Thomas M. Kolbeck <i>(Deputy Chairman)</i>	Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DEPFA Investment Bank Ltd. Chairman of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Member of the Supervisory Board of DEPFA IT Services AG. Member of the Supervisory Board of Homeworld Aktiengesellschaft.
Dermot. M. Cahillane	Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of DBE Property Holdings Ltd. Member of the Board of Directors of DEPFA Investment Bank Ltd. Chairman of the Board of Directors of DEPFA ACS BANK. Member of the Board of Directors of: DEPFA Hold One Limited, DEPFA Hold Two Limited, DEPFA Hold Three Limited, DEPFA Hold Four Limited, DEPFA Royalty Management Limited and DEPFA Investment Fund plc.
Dr. Reinhard Grzesik	Member of the Supervisory Board of DEPFA Deutsche Pfandbriefbank AG. Member of the Board of Directors of DePfa-Bank Europe plc. Member of the Board of Directors of: DEPFA Hold One Limited, DEPFA Hold Two Limited, DEPFA Hold Three Limited, DEPFA Hold Four Limited.
Dr. Richard Brantner	Member of the Board of Directors of European Investment Bank. Deg. DT. Investitions und Entwicklungsgesellschaft. Member of the Board of Directors of Integrata AG. Member of the Board of Directors of Aareal Bank.
Frances Ruane	Member of the Board of Directors of DEPFA ACS BANK, Douglas Hyde Gallery, Irish Writers' Centre, National Children's Hospital Foundation Board, Bord Gais Eireann.
Hans W. Reich	Chairman of the Board of Directors of KfW. Member of the Board of Directors of Aareal Bank AG, Deutsche Post AG, Deutsche Telekom AG, HUK-COBURG Versicherungsgruppe, IKB Deutsche Industriebank AG and Thyssen Krupp Steel AG.
Prof. Dr. Dr. h.c.mult. Hans Tietmeyer	Vice Chairman of the Board of Directors of Bank for International Settlements. Member of the Board of Directors of BDO Deutsche Warentreuhand AG. DWS Investment GmbH. Member of the Board of Directors of ING Groep N.V. Member of the Board of Directors of Hauck & Aufhäuser Privatbankiers KgaA. Member of the Board of Directors of Aareal Bank.

Members	Principal Outside Activities
Jacques Poos	Member of the Board of Directors of Banque BNP Paribas (Luxembourg).
Prof. Dr. Alexander Hemmelrath	Partner in Haarmann Hemmelrath & Partner. Member of the Board of Directors of Advanced Medien AG. Member of the Board of Directors of Seitz AG. Member of the Board of Directors of Supermarket Media AG.
Maurice O'Connell	Governor of Central Bank of Ireland (ret'd).

Addresses of the Board of Directors of DEPFA BANK PLC

The business address of Gerhard Bruckermann, Thomas Kolbeck, Dermot Cahillane and Reinhard Grzesik is 1 Commons Street, Dublin 1, Ireland. The business address of Richard Brantner is Erhard-Junghans Straße 29, 78713 Schramberg, Germany. The business address of Hans Reich is KfW, Palmengartenstraße 5-9, D-60325 Frankfurt, Germany. The business address of Frances Ruane is Department of Economics, Trinity College, Dublin 2, Ireland. The business address of Hans Tietmeyer is Reichenbachweg 15b, 61462 Königstein, Germany. The business address of Jacques Poos is 45 Square Emile Mayrisch, Esch-Alzette L4240, Luxembourg. The business address of Alexander Hemmelrath is Haarmann, Hemmelrath & Partner, Rechtsanwälte, Wirtschaftsprüfer, Steuerberater GbR, Maximilianstraße 35, 80539 Munich, Germany. The business address of Maurice O'Connell is 9 Cyprus Lawn, Templeogue, Dublin 6W, Ireland.

As far as known to DEPFA, other than as may arise from an individual director's principal outside activities as listed in each case above under the heading The Board of Directors of DEPFA BANK PLC – Principal Outside Activities, no potential conflicts of interest exist between any duties to DEPFA of the Board of Directors listed above and their private interests or other duties in respect of their management roles.

THE AFFILIATES

Description of the Principal Subsidiaries of DEPFA BANK PLC

DEPFA Deutsche Pfandbriefbank AG, Frankfurt

DEPFA Deutsche Pfandbriefbank AG, the former parent of the Group, is governed by the German Mortgage Bank Act (MBA) and since its split from Aareal Bank AG concentrates purely on public sector lending.

DePfa-Bank Europe plc, Dublin

DePfa-Bank Europe plc ("DePfa Europe") has historically been responsible for lending to European central, regional and local authorities outside Germany and into Japan and North America. On 2 December 2002, DePfa-Bank Europe plc transferred substantially all of its banking business to DEPFA, and management proposes to transfer all of the remaining assets and liabilities of DePfa Europe to DEPFA as soon as reasonably practical. There are no immediate plans to liquidate DePfa Europe.

DEPFA ACS BANK, Dublin

DEPFA ACS BANK is an unlimited company wholly owned by DEPFA, the primary purpose of which is to provide funding to the Group by issuing Asset Covered Securities under the ACS Act.

DEPFA Investment Bank Ltd., Nicosia

DEPFA Investment Bank Ltd. is incorporated in Nicosia, Cyprus and is responsible for investment banking activity with a focus on sovereign public sector investments in Central and Eastern Europe. DEPFA Investment Bank Ltd. is wholly owned (indirectly) by DEPFA.

DEPFA Capital Japan, K.K., Tokyo

DePfa Capital Japan K.K. is incorporated in Japan and engages in public sector financing.

DBE Property Holdings Ltd., Dublin

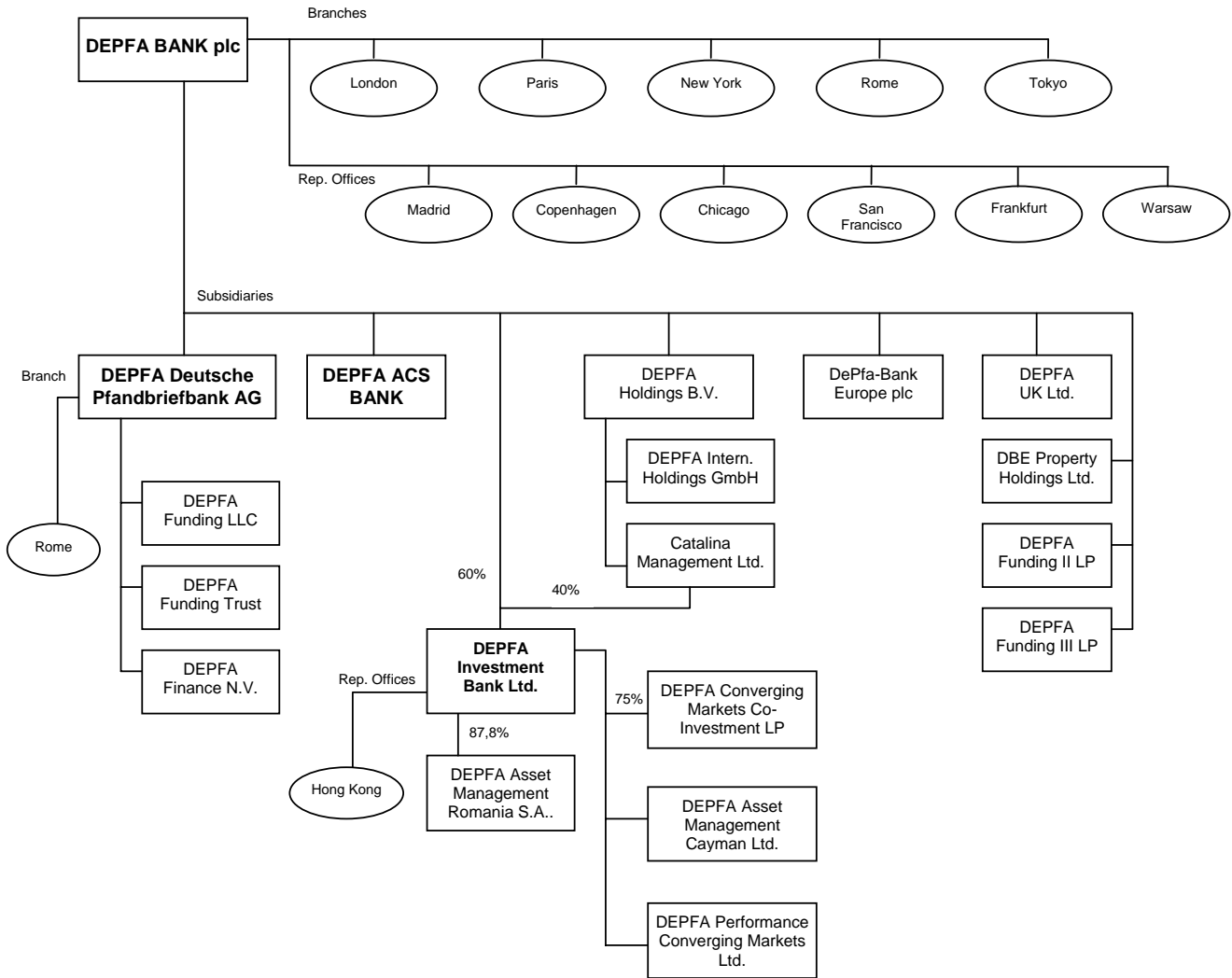
DePfa Property Holdings Ltd. acts a holding company for the Group's business premises in Dublin, Ireland.

DEPFA UK Ltd

DEPFA UK Ltd was established to provide management consultancy and advisory services relating to international public sector financing.

The following diagram illustrates the structure of the Group at the date of this Prospectus. Unless otherwise indicated, all subsidiaries of DEPFA plc are wholly owned:

Legal Group Structure



THE TRUSTEE

The Trustee, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, is an independent accounting firm pursuant to the law regulating the profession of certified public accountants in Germany (*Wirtschaftsprüferordnung*) and applicable regulations thereunder. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft is a limited liability company incorporated under the laws of the Federal Republic of Germany, with its registered office at Rosenheimer Platz 4, 81669 Munich, and is registered in the Munich Commercial Register under HRB 83442.

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft and its affiliated companies are a group of German accounting, tax service and consulting firms with 18 branches and offices in Germany, about 3,400 employees, and a turnover for the period ending on June 30, 2005, of approximately €488 million.

Internationally, Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft is a member of Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu is an organisation (Swiss Verein) of member firms around the world, which provide services in four professional areas – audit, tax, consulting and financial advisory services – with 120,000 people in nearly 150 countries and with a 12 month turnover of 18.2 billion U.S. dollars worldwide for the period ending on May 31, 2005. Services are not provided by the Deloitte Touche Tohmatsu Verein and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas. As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte", "Deloitte & Touche", "Deloitte Touche Tohmatsu", or other, related names.

The foregoing information regarding the Trustee has been provided by the Trustee and neither the Issuer nor any Bank Entity nor the Counterparty assumes any responsibility for its contents.

As compensation for its services under the Trust Agreement, the Trustee will be paid a fee as separately agreed with the Issuer with the consent of the Bank.

THE COUNTERPARTY

KfW

KfW was established on November 5, 1948, under the Law Concerning the Kreditanstalt für Wiederaufbau (the "**KfW Law**") as a public law institution (*Anstalt des öffentlichen Rechts*) with unlimited duration. It has its seat at Palmengartenstraße 5-9, D-60325 Frankfurt am Main, Federal Republic of Germany. KfW also maintains branch offices in Berlin and Bonn and a liaison office to the European Union in Brussels.

Originally, KfW was established to distribute and lend funds of the European Recovery Program (Marshall Plan). Today, having expanded and internationalized, KfW conducts its business in four principal areas: investment finance, export and project finance, promotion of developing countries (financial cooperation) and advisory and other services.

Relationship with the Federal Republic of Germany

Ownership/Capital

KfW's statutory capital amounts to € 3,750 million. The Federal Republic of Germany ("**the Federal Republic**") holds 80% of KfW's capital and the German federal states ("**Länder**") hold the remaining 20%. Shares in KfW's capital may not be pledged or transferred to entities other than the Federal Republic or the Länder.

Guarantee of the Federal Republic

Effective April 1, 1998, the KfW Law was amended to provide expressly that the Federal Republic guarantees all existing and future obligations of KfW in respect of money borrowed, bonds issued and derivative transactions entered into by KfW, as well as obligations of third parties which are expressly guaranteed by KfW (Article 1a KfW Law).

Institutional Liability ("Anstaltslast")

Under the German administrative law principle of Anstaltslast, the Federal Republic has an institutional liability with respect to KfW. This liability requires the Federal Republic to safeguard KfW's economic basis, keep it in a position to pursue its operations and enable it, in the event of financial difficulties, to perform its obligations when due through the allocation of funds or in some other appropriate manner.

Securities Listing

In general KfW's securities (excluding the Certificates) are admitted for trading on the regulated market of the Luxembourg Stock Exchange or on the regulated market of the Frankfurt Stock Exchange.

Rating

KfW has outstanding long-term debt which is rated AAA by S&P, AAA by Fitch and Aaa by Moody's.

RATING

The Class A+ Notes are expected to be rated AAA by S&P and AAA by Fitch.

The Class A Notes are expected to be rated AAA by S&P and AAA by Fitch.

The Class B Notes are expected to be rated AA by S&P and AA by Fitch.

The Class C Notes are expected to be rated A by S&P and A by Fitch.

The Class D Notes are expected to be rated BBB by S&P and BBB by Fitch.

The Class E Notes are expected to be rated BB by S&P and BB by Fitch.

It is a condition of the issue of the Notes that each Class of the Notes receives the above indicated rating.

The rating of "AAA" is the highest rating that Fitch and S&P assign to long term debt.

The rating of each Class of Notes by the Rating Agencies addresses the likelihood that the holders of such Class of Notes will receive all payments to which they are entitled, as described herein. The rating by the Rating Agencies of the relevant Class of Notes addresses also the risk that a Realised Loss will be allocated to such Class pursuant to the Terms and Conditions as described herein. The rating takes into consideration the characteristics of the Reference Obligations and the current structural, legal, tax and Issuer-related aspects associated with the Notes. However, the ratings assigned to the Notes do not represent any assessment of the likelihood of principal prepayments. The ratings do not address the possibility that the Noteholders might suffer a lower than expected yield due to prepayments. The Notes will have the benefit of the Trustee Collateral, including the Certificates, securing the Trustee Claim. A change in the long term unsecured debt rating of the Counterparty as the supporting rating for the Certificates below the rating of the respective Class or Classes of the Notes may affect the rating of the relevant Class or Classes of the Notes. See "THE CERTIFICATES, COLLATERAL AND NOTEHOLDER COLLATERAL" and "THE COUNTERPARTY".

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal by the Rating Agencies at any time. If the ratings initially assigned to any Class of the Notes by the Rating Agencies are subsequently withdrawn or lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to such Class of the Notes.

The Issuer has not requested a rating of the Notes by any rating agency other than the rating of the Notes by the Rating Agencies; there can be no assurance, however, as to whether any other rating agency will rate the Notes or, if it does, what rating would be assigned by such other rating agency. The rating assigned to the Notes by such other rating agency could be lower than the respective ratings assigned by the Rating Agencies.

TAXATION

The information contained in this Section "Taxation" is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It should be read in conjunction with the Section entitled "Risk Factors". Potential purchasers of the Notes are urged to satisfy themselves as to the overall tax consequences of purchasing, holding and/or selling the Notes.

Taxation in the Federal Republic of Germany

The following comments are of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. No representation with respect to the consequences to any particular prospective holder of a Note is made hereby. Any prospective holder of a Note should consult their own tax advisers in all relevant jurisdictions.

The information contained in this Section is not intended as tax advice and does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of the Notes. It is based upon German tax laws (including tax treaties) and administrative decrees as in effect as of the date hereof, which are subject to change, potentially with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

Taxation of Noteholders

Income Taxes / Withholding Tax

Payments of interest on Notes to persons who are tax resident in the Federal Republic of Germany are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidarit t szuschlag*) at a rate of 5.5 per cent. thereon). Additionally, if the Notes are held as business assets trade tax will be levied. If the Notes are kept or administered in a securities deposit account by a German credit or financial services institution (including a German branch of a non-German credit or financial services institution, but excluding a non-German branch of a German credit or financial services institution), which pays or credits the interest, a 30 per cent. capital yield tax on interest payments (*Zinsabschlag*), plus a 5.5 per cent. solidarity surcharge on such tax, will be levied on interest payments or credits, resulting in a total tax charge of 31.65 per cent. The capital yield tax and the solidarity surcharge are generally not final but will be included in the relevant tax assessment for personal or corporate income tax purposes. The capital yield tax and the solidarity surcharge will be credited against the final German tax liability or refunded in excess of the final tax liability.

Persons who are not resident in Germany, are in general exempt from the German capital yield tax plus solidarity surcharge. However, if according to German tax law the interest received from the Notes kept or administered by a German credit or financial services institution is effectively connected with a German trade or business of a non-resident holder of the Notes, capital yield tax at a rate of 30 per cent. plus solidarity surcharge thereon will be imposed. The capital yield tax and the solidarity surcharge can be set off against the German personal or corporate income tax liability of the non-resident holder of the Notes in a subsequent assessment procedure.

Capital gains deriving from the disposal, transfer or redemption of the Notes received by persons who are tax resident in the Federal Republic of Germany will be subject to German personal or corporate income tax (in both cases plus solidarity surcharge) and additionally be subject to trade tax if the Notes are held as business assets. The tax base is determined by the balance of the disposal price or redemption price over the issue price or the acquisition costs or the book value. If the Notes are held as private assets, such capital gains are subject to personal income tax rates

plus solidarity surcharge thereon. Capital gains derived by persons not being resident in Germany are subject to German personal or corporate income tax plus solidarity surcharge thereon if according to German tax law the Notes are effectively connected with a German trade or business of the non-resident holder of the Note.

Capital gains derived from the disposal, transfer or redemption of the Notes are subject to withholding tax. If the Notes are kept or administered in a domestic securities deposit account by a German credit or financial services institution, a 30 per cent. capital yield tax plus 5.5 per cent. solidarity surcharge on such tax, will be levied on the positive difference between the purchase price paid by the holder of the Note and the selling price or redemption amount, as the case may be, resulting in a total withholding tax charge of 31.65 per cent. However, if such criteria are not fulfilled, if, e.g., the Notes are sold or redeemed after a transfer from a securities deposit account kept with another bank, the price difference as the taxable base for the capital yield tax and the solidarity surcharge will be substituted by a flat amount of 30 per cent. of the selling price or the redemption price. Potential losses incurred upon the sale or redemption of Notes may give rise to negative income. The capital yield tax and the solidarity surcharge are generally not final but will be included in the relevant tax assessment for personal or corporate income tax purposes. The capital yield tax and the solidarity surcharge will be credited against the final German tax liability or refunded in excess of the final tax liability.

Inheritance and Gift Tax

The transfer of Notes to another person by gift or on account of death is subject to German inheritance or gift tax, respectively, if:

- the deceased, the donor, the heir, the donee or other acquirer had his residence or habitual abode in Germany at the time of the transfer of property, or has not permanently stayed in a foreign country for more than five years as German citizen without having a residence in Germany, or is subject to an employment contract with a legal entity under public law as German citizen, or
- the deceased, the donor, the heir, the donee or other acquirer is a corporation, partnership or formation of a company (*Vermögensmasse*) having its place of management or office in the Federal Republic of Germany, or
- the Notes are part of a domestic property (*Inlandsvermögen*) within the meaning of Section 121 German Valuation Tax Act (*Bewertungsgesetz*).

EU Savings Directive

On 3 June 2003 the Economic and Financial Affairs Council of the European Union (ECOFIN Council) adopted directive 2003/48/EC on taxation of savings income in the form of interest payments ("**Savings Directive**"). Under the Savings Directive and from 1 July 2005, each EU Member State (other than Austria, Belgium and Luxembourg) is required to provide the tax authorities of another EU Member State with details of payments of interest and other similar income paid by a person in one EU Member State to an individual resident in another EU Member State. Austria, Belgium and Luxembourg must instead impose a withholding tax for a transitional period unless during such period they elect to participate in the information exchange.

Taxation of the Issuer

The Issuer is a corporation having its seat and its place of effective management in Germany and, therefore, profits of the Issuer derived from the transaction will be subject to German corporate income tax at a rate of 25 per cent. plus solidarity surcharge of 5.5 per cent. thereon.

Payments in respect of the Notes, including without limitation payments of interest but excluding payments of principal, are deductible from the Issuer's profits for tax purposes. Additionally, the

Issuer will be entitled to deduct other expenses incurred by it, such as fees. The tax treatment of the principal outstanding under the Notes will follow the accounting treatment which will form the basis for the tax accounting treatment.

Having its seat and its place of effective management in Germany, the Issuer is, in principle, also subject to German trade tax. The net income subject to trade tax would be computed by adding to such income, in principle, half of the interest paid by the Issuer under the Notes. However, pursuant to an exemption provided for by Section 19 para. 3 no. 2 Trade Tax Application Directive (*Gewerbesteuerdurchführungsverordnung*), the addition of half of the interest paid by the issuer is not applicable to certain business entities. The exemption is applicable to business entities which are – directly or indirectly – exclusively (i) acquiring credit receivables or (ii) assuming credit risks related to credit receivables originated by banks in the sense of Section 1 German Banking Act (*Kreditwesengesetz – KWG*) and refinance the acquisition or the granting of a security in respect of the assumed credit risk by issuing notes. Pursuant to the documents, the Issuer is acquiring credit risks originated by a bank within the meaning of the above mentioned provisions. In turn, the purchase of the credit risks is refinanced by the issuance of the Notes. Accordingly, the Issuer is entitled to benefit from the provision in the Trade Tax Application Directive and its tax base for German trade tax purposes will be immaterial. This view is supported by a binding ruling (*verbindliche Auskunft*) issued by the respective tax authorities to the Issuer (then named PROVIDE 1 GmbH - see "THE ISSUER") with regard to a structurally identical transaction where the tax authorities granted the exemption as described above.

In general, withholding tax (*Zinsabschlagssteuer*) and solidarity surcharge (*Solidaritätszuschlag*) withheld by KfW from the payments under the Certificates are credited as prepayments against the German corporate income tax and the solidarity surcharge liability of the Issuer, and amounts over-withheld entitle the Issuer to refund based on an assessment to tax. However, no withholding tax (and solidarity surcharge thereon) will be withheld by KfW if an exemption is granted in favour of the Issuer and evidenced by a certificate (*Dauerüberzahlerbescheinigung*) issued by the competent tax authority. Since the Issuer has applied for and received such a certificate (expiring after 31 December 2007, however, generally renewable), no withholding tax will be imposed on the payments received by the Issuer from KfW under the Certificates.

Other Taxes

No German transfer, stamp or similar taxes apply to the sale or transfer of the Notes. Net worth tax is currently not levied.

SUBSCRIPTION AND SALE

Subscription of the Notes

Pursuant to the Subscription Agreement dated 11 July 2006, the Lead Manager has agreed, subject to certain conditions, to subscribe for the Notes. Conditions as referred to in the previous sentence are customary closing conditions as set out in the Subscription Agreement.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Lead Manager to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Lead Manager against certain liabilities in connection with the offer and sale of the Notes.

Selling Restrictions

United States of America and its Territories

(1) The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("**Regulation S**") or pursuant to an exemption from registration requirements of the Securities Act. The Lead Manager has represented and agreed that it has offered and sold the Notes, and will offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of commencement of the offering and the Issue Date only in accordance with Rule 903 of Regulation S. Neither the Lead Manager, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. The Lead Manager agrees that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them in Regulation S under the Securities Act."

Terms used in this paragraph have the meaning given to them by Regulation S.

The Lead Manager has represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

Further, the Lead Manager has represented and agreed that:

- (1) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "**D Rules**"), (i) it has not offered or sold, and during the 40-day restricted period will not offer or sell, directly or indirectly, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) it has not delivered and will not deliver, directly or indirectly, within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

- (2) it has and throughout the restricted period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (3) if it is a United States person, that it is acquiring the Notes for purposes of resale in connection with their original issuance and agrees that if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6); and
- (4) with respect to each affiliate that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period that it will either (i) repeat and confirm the representations and agreements contained in sub-clauses (1), (2) and (3) on its behalf; or (ii) obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in sub-clauses (1), (2) and (3).

Terms used in Clause (1), (2), (3) and (4) have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

United Kingdom

The Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Ireland

The Lead Manager has confirmed and agreed that (i) it has not offered or sold and will not offer or sell the Notes to the public within Ireland except in circumstances which do not require the prior publication of a prospectus pursuant to Article 3(2) of Directive 2003/71/EC; and (ii) it has not and will not do anything in Ireland in connection with the Notes that might constitute a breach of Section 9(1), 23(1), 23(6) or 23(7) of the Investment Intermediaries Act 1995.

Federal Republic of Germany

The Lead Manager has represented and agreed that it has only offered and sold and that it will only offer and sell the Notes in the Federal Republic of Germany in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as of 22 June 2005 (*BGBl. 2005 I S. 1698*) implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 and any other applicable laws in the Federal Republic of Germany governing the issue, sale and offering of securities.

European Economic Area

The Lead Manager has represented and warranted that in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), no offer of

Notes to the public may be made in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, the Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

Italy

The offering of the Notes has not been registered with the Commissione Nazionale per la Società e la Borsa ("**CONSOB**") (the Italian securities and exchange commission) pursuant to the Italian securities legislation and, accordingly the Notes cannot be offered, sold or distributed nor any copies of the Prospectus or any other document relating to the Notes can be distributed in the Republic of Italy ("**Italy**") in a public solicitation (*sollecitazione all'investimento*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998 (the "**Financial Services Act**"), unless an exemption applies.

Accordingly, the Notes in Italy:

- (a) shall only be offered or sold to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph of CONSOB Regulation No 11522 of 1 July 1998 ("**CONSOB Regulation 11522**"), as amended, or
- (b) in other circumstances which are exempted from the rules on public solicitations pursuant to Article 100 of the Financial Services Act and Article 33, first paragraph, of CONSOB Regulation No 11971 of 14 May 1999.

Moreover and subject to the foregoing, the Notes may not be offered, sold or delivered and neither the Prospectus nor any other material relating to the Notes may be distributed or made available in Italy unless such offer, sale or delivery of Notes or distribution or availability of copies of the Prospectus or any other material relating to the Notes in the Italy is made:

- (i) by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services, and Legislative Decree No 385 of 1 September, 1993 (the "**Italian Banking Act**"), CONSOB Regulation 11522 and any other relevant laws/regulations; and

- (ii) in compliance with Article 129 of the Italian Banking Act and the implementing instructions of the Bank of Italy, pursuant to which the issue, trading or placement of securities (e.g., notes) in Italy is subject to prior and subsequent notification to the Bank of Italy, unless an exemption, depending inter alia on the amount of the issue and the characteristics of the securities, applies, and
- (iii) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation which may be imposed from time to time by CONSOB or the Bank of Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to Directive 2003/71/EC (the "**Prospectus Directive**"), such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws.

General

The Lead Manager has agreed that it will not offer, sell or deliver any of the Notes, directly or indirectly, or distribute this Prospectus or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will to its best knowledge and belief result in compliance with the applicable laws and regulations thereof.

USE OF PROCEEDS

The costs of the Issuer in connection with the issue of the Notes, including the underwriting commission and selling concession, will be paid separately by the Bank to the respective recipients. The gross proceeds from the issue of the Notes, amounting to €79,000,000, are equal to the net proceeds and will be used by the Issuer for the purchase of the Certificates from the Counterparty on the Issue Date. The estimated expenses associated with the admission of the Notes to trading on the Irish Stock Exchange amount to approximately €5,783.

GENERAL INFORMATION

Authorisation

The issue of the Notes was authorised by a directors' resolution of the Issuer on 11 July 2006.

Litigation

The Issuer is not and has not been since its incorporation engaged in any litigation or arbitration proceedings which may have or have had during such period a significant effect on its respective financial position, and, as far as the Issuer is aware, no such litigation or arbitration proceedings are pending or threatened.

Material Change

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Issuer since its incorporation.

Payment Information

For as long as any of the Notes are listed on the Irish Stock Exchange, the Issuer will notify or will procure notification to the Irish Stock Exchange of the Interest Amounts, Interest Accrual Periods and the Interest Rates and, if relevant, the payments of principal on each Class of Notes, in each case without delay after their determination pursuant to the Terms and Conditions.

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

All notices to the Noteholders regarding the Notes shall (i) be published in a leading daily newspaper having general circulation in Ireland (which is expected to be the "*Irish Times*"), or, if this is not practicable, in another leading English language newspaper having supra-regional circulation in Ireland if and to the extent a publication in such form is required by applicable legal provisions and (ii)(A) be delivered to Euroclear and Clearstream, Luxembourg for communication by it to the Noteholders or (B) made available on a web site in accordance with the Terms and Conditions.

Irish Listing

This document constitutes a prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (the "**Prospectus Directive**") on the prospectus to be published when securities are offered to the public or admitted to trading.

Application has been made to the IFSRA, as competent authority under Directive 2003/71/EC, for the Prospectus to be approved. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Such approval relates only to the Notes which are to be admitted to trading on the regulated market of Irish Stock Exchange or other regulated markets for the purposes of Directive 93/22/EEC or which are to be offered to the public in any Member State of the European Economic Area.

The Issuer has appointed A&L Listing Limited, International Financial Services Centre, North Wall Quay, Dublin 1, Ireland as the initial listing agent for the Irish Stock Exchange and HSBC Institutional Trust Services (Ireland) Limited, HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland as the initial Irish Paying Agent. The Irish Paying Agent will act as paying agent between the Issuer and the holders of the Notes listed on the Irish Stock Exchange. For as long as any of the Notes are listed on the Irish Stock Exchange the Issuer will maintain an Irish Paying Agent.

Post Issuance Reporting

The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Certificates. The Issuer will provide information on the performance of the Reference Pool as set out in Clause 7 (*Reports, Documents, Information*) of the Trust Agreement and Investor Notifications as set out in Section 17 (*Investor Notifications*) of the Terms and Conditions.

Miscellaneous

The Issuer will not publish interim accounts. The financial year end in respect of the Issuer is 31 December. The Issuer will produce non-consolidated audited financial statements in respect of each financial year and will not produce consolidated audited financial statements. As of the date of this Prospectus, no audited financial statements have been prepared by the Issuer since the date of its incorporation.

Clearing Codes

Class A+

ISIN XS0257897255

Common Code 25789725

Class A

ISIN XS0257898220

Common Code 25789822

Class B

ISIN XS0257898907

Common Code 25789890

Class C

ISIN XS0257899624

Common Code 25789962

Class D

ISIN XS0257900224

Common Code 25790022

Class E

ISIN XS0257900570

Common Code 25790057

Availability of Documents

Physical copies of the following documents may be obtained during customary business hours on any working day from the date hereof (or the date of publication of such document, as relevant) as long as any of the Notes remain outstanding at the registered office of the Issuer and the head office of the Principal Paying Agent and as long as any of the Notes are listed on the Irish Stock

Exchange they will also be available and may be obtained (free of charge) at the specified offices of the Irish Paying Agent:

- (i) the articles of association of the Issuer;
- (ii) the resolution of managing directors of the Issuer approving the issue of the Notes and the Transaction;
- (iii) this Prospectus, the Trust Agreement dated 18 July 2006, the Certificate Purchase Agreement dated 18 July 2006, the Certificates dated 18 July 2006, the Noteholder Security Agreement dated 18 July 2006, the Administration Agreement dated 11 July 2006, the Agency Agreement dated 11 July 2006, the Transaction Account Agreement dated 29 May 2006 and the Subscription Agreement dated 11 July 2006;
- (iv) all future annual financial statements of the Issuer;
- (v) if any of the characteristics of the Reference Pool on the Issue Date vary materially from those of the Initial Reference Pool as described herein, revised information regarding the Reference Pool;
- (vi) each Pool Report; and
- (vii) all notices given to the Noteholders pursuant to the Terms and Conditions (see "THE NOTES – Investor Notifications").

TRANSACTION DEFINITIONS SCHEDULE

The following is the text of the Transaction Definitions Schedule. The text is attached as Appendix E to the Terms and Conditions and constitutes an integral part of the Terms and Conditions.

1 Unless otherwise stated therein or inconsistent therewith or the context requires otherwise, the following rules of construction shall apply to each of the Transaction Documents:

- (a) Words denoting the singular shall also include the plural number and vice versa; words denoting persons only shall also include firms and corporations and vice versa, except the context requires otherwise; words denoting one gender only shall also include the other genders.
- (b) References:
 - (i) to Recitals, Clauses, Provisions, Sections, Annexes and Schedules within each Transaction Document shall be construed as references to the Recitals, Clauses, Provisions, Sections, Annexes and Schedules of that Transaction Document and each reference to a Sub-Clause or a paragraph is to the relevant Sub-Clause of the Clause, or to the relevant paragraph of the sub-clause, in which the reference appears; and
 - (ii) to any statutory provision shall be deemed also to refer to any statutory modification, re-statement or re-enactment thereof and to any statutory instrument, order or regulation made thereunder or under any statutory modification, re-statement or re-enactment thereof.
- (c) Any reference to an enactment is a reference to it as already amended and includes a reference to any repealed enactment which it may re-state, re-enact, with or without amendment, and to any re-statement, re-enactment and/or amendment of it.
- (d) Reference to any document or agreement (other than this Transaction Definitions Schedule) shall include reference to such document or agreement as varied, supplemented, replaced or novated from time to time and to any document or agreement expressed to be supplemental thereto or executed pursuant thereto.
- (e) Headings in any Transaction Document are for ease of reference only and will not affect its interpretation.
- (f) Unless otherwise stated in this transaction definitions schedule (the "**Transaction Definitions Schedule**"), in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".
- (g) German translations of terms contained in the Transaction Documents are intended to be a guide only and in the event of any conflict between an English term and the German translation accompanying it, the English term is to take precedence.

2 Except where the context otherwise requires, the following defined terms used in the Transaction Documents and herein have the meanings set out below:

A Certificate	means the Floating Rate Class A Certificate in an initial principal amount of € 45,000,000.
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A+ Certificate	means the Floating Rate Class A+ Certificate in an initial principal amount of € 250,000.
A+ Increase Factor	means 1 divided by the A+ Reduction Factor.
A+ Reduction Factor	means € 250,000 divided by € 805,500,000.
Actual Date of Redemption	means (as applicable): <ul style="list-style-type: none"> (a) the date of redemption of the Notes in accordance with Section 10 (<i>Termination for Default</i>) or Section 11 (<i>Early Redemption by the Issuer</i>) of the Terms and Conditions, or (b) the date on which the Notes are finally redeemed following a Deferred Redemption.
Adjustment Appraisal Allocation Date	means the earlier of: <ul style="list-style-type: none"> (a) the Payment Date immediately following the Adjustment Appraisal Date as of which a Realised Loss in relation to a Reference Obligation is to be allocated to the Notes in accordance with Section 13 (<i>Loss Allocation</i>) of the Terms and Conditions, and (b) the Legal Maturity Date, provided, for the avoidance of doubt, that an appraisal and a loss verification pursuant to Clause 8 (<i>Verification; Confirmation of Loss Allocation; Initiation of Procedures</i>) of the Trust Agreement have been carried out.
Adjustment Appraisal Date	means the earlier of the date falling on: <ul style="list-style-type: none"> (a) the third anniversary of the date on which the Bank has given an Adjustment Notice in accordance with Section 13.2(d) (<i>Loss Allocation – Conditions to Loss Allocation – Adjustment Notice</i>) of the Terms and Conditions, and (b) the last day of the end of the Collection Period immediately preceding the Termination Date, the Early Redemption Date and the Legal Maturity Date.
Adjustment Notice	means a notice given by the Bank in accordance with Section 13.2(d) (<i>Loss Allocation – Conditions to Loss Allocation – Adjustment Notice</i>) of the Terms and Conditions according to which the Bank may give notice to the Trustee, describing in reasonable detail the facts set out in Section 13.2(d) (<i>Loss Allocation – Conditions to Loss Allocation – Adjustment Notice</i>) of the Terms and Conditions.
Administration Agreement	means the administration agreement between the Issuer and the Administrator as corporate administrator of the Issuer dated 11 July 2006.

Administrator	means SFM Structured Finance Management (Deutschland) GmbH, a company with limited liability incorporated under the laws of Germany whose registered office is at Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany, or any successor appointed as Administrator in accordance with the Administration Agreement.
Advisor	means any legal counsel, financial consultant, bank or other expert advising the Trustee in connection with the performance of the Trustee Duties and which is not an affiliate or otherwise related party of either the Issuer, the Bank or the Counterparty.
Affiliate	means any company related to the Bank: <ul style="list-style-type: none"> (a) which is directly or indirectly controlled by the Bank or in which the Bank holds a majority of shares and / or voting rights, (b) which directly or indirectly controls the Bank or which holds a majority of the shares and / or voting rights in the Bank or (c) which is a company which companies described in (b) above directly or indirectly control or hold a majority share in.
Agency Agreement	means the agency agreement between the Issuer and the Principal Paying Agent dated 11 July 2006.
Agent	means each of the Principal Paying Agent and the Irish Paying Agent.
Agent Bank	means in the case of Syndicated Reference Obligations either: <ul style="list-style-type: none"> (a) the relevant Bank Entity or (b) the third party, in each case acting as agent bank.

Aggregate Principal Balance

means the aggregate Outstanding Nominal Amount of all Reference Obligations; such term shall include:

- (a) the aggregate Outstanding Nominal Amount of all Replenishment Obligations added to the Reference Pool by Replenishment pursuant to Provision 5 (*Replenishment*) of the Reference Pool Provisions and, for the avoidance of doubt,
- (b) all Defaulted Reference Obligations and all Liquidated Reference Obligations,

and shall exclude the aggregate Outstanding Nominal Amounts of any Reference Obligations removed from the Reference Pool pursuant to:

- (i) Provision 9 (*Removals*) of the Reference Pool Provisions, or
- (ii) Clause 10 (*Reference Obligation Removal Procedure*) of the Trust Agreement.

Allocation Notice

means a notice given by the Bank in accordance with Section 13.2(c) (*Loss Allocation – Conditions to Loss Allocation – Allocation Notice*) of the Terms and Conditions.

Allocation Rule

means that Collections shall be allocated in accordance with the underlying loan agreements for the relevant Reference Obligation, *provided that* after the occurrence of a Credit Event all Collections shall, for the purpose of the Transaction be allocated to principal first.

In the case of a Partial Obligation, Collections on the relevant Reference Obligation shall:

- (a) after an acceleration of the Reference Obligation be allocated *pari passu* and *pro rata* between the Partial Obligation and the part of the Reference Obligation not included in the Reference Pool and
- (b) after a Credit Event has occurred, among principal claims be allocated in the order of their maturity (with payments being allocated first to the oldest claim).

All Collections in respect of a Replacement Asset shall be allocated to reduce the relevant Syndicate Write-down Amount.

Appraised Loss	means with respect to a Reference Obligation, the excess of <ul style="list-style-type: none"> (a) the Outstanding Nominal Amount of such Reference Obligation at any time over (b) its Appraised Value which shall be allocated pursuant to the Loss Allocation as if it were a Realised Loss (the date on which any such Appraised Loss is so allocated being, for the purposes of Loss Allocation, a Payment Date).
Appraised Loss Payment Date	means the second anniversary of the Early Redemption Date.
Appraised Value	means with respect to a Reference Obligation, the aggregate of the expected further Collections (including, for the avoidance of doubt, in respect of Replacement Assets) allocable to the principal amount of such Reference Obligation in accordance with the Reference Pool Provisions and the Servicing Standards, determined as the arithmetic mean of amounts determined by two Value Experts appointed for this purpose by the Trustee in accordance with Clause 13 (<i>Value Experts for Determination of Appraised Values and Appraised Losses</i>) of the Trust Agreement.
Arranger	means Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ.
Articles of Association	means the articles of association of the Issuer.
A Signatories	means signatories so designated in the authorised signatory lists of the Bank from time to time.
Automatic Termination Event	means any of the following events <ul style="list-style-type: none"> (a) the Issuer or its assets become subject to insolvency, moratorium or similar proceedings, which affect or prejudice the performance of obligations under the Notes, or there is a refusal to institute such proceedings for lack of assets, (b) the Bank Swap is terminated because of the occurrence of Serious Cause or Insolvency, or (c) following the delivery of a Resignation Notice by the Trustee to the Noteholders, a replacement trustee is not appointed pursuant to the terms of the Trust Agreement by the Trustee Resignation Effective Date.
B Certificate	means the Floating Rate Class B Certificate in an initial principal amount of €9,000,000.
Bank	means DEPFA.
Bank Entity	means the Bank and any Affiliates.

Bank Exchange Rate

means, with respect to a Non-€ Reference Obligation and at any time, the foreign exchange rate for the conversion from the relevant foreign currency into €, expressed as ratio between:

- (a) one € (numerator), and
- (b) an equivalent of one € in such currency (denominator)

in each case:

- (i) as published by the European Central Bank, or
- (ii) if (i) above does not apply, as supplied via Bloomberg service at or about 3:00 p.m. (Frankfurt time) on such date, or
- (iii) if neither (i) nor (ii) above applies, as determined on the basis of the rates offered by four leading foreign exchange dealers selected in good faith by the Bank at or about 3:00 p.m. (Frankfurt time) on the relevant date to prime banks in the Euro-zone interbank market in a principal amount equal to an amount that is representative for a single transaction in such market at such time. The Bank will request the principal Euro-zone office of each such foreign exchange dealer to provide a quotation of its rate. If more than three quotations are provided, the rate will be the arithmetic mean of the quotations as determined by the Bank (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards), without regard to the quotations having the highest and the lowest values. If exactly three quotations are provided, the rate will be the quotation remaining after disregarding the highest and the lowest quotations. For this purpose, if more than one quotation has the same highest or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the rate cannot be determined.

Bank Regulatory Event

means any enactment or establishment of or supplement or amendment to, or change in the laws of the Federal Republic of Germany or Ireland, or an official communication of previously not existing or not publicly available official interpretation of such laws or a change in the official interpretation, implementation or application of such laws that becomes effective on or after the Issue Date, as a result of which in the determination of the Bank and subject to the professional judgement of the Trustee, for reasons outside the Bank's control, and after taking reasonable measures (such measures not involving any material additional payment by, or capital or other expenses for the Bank or the Issuer), (i) the Bank and/or the Issuer would be materially restricted from performing any of its obligations under any of the Notes, the Swap Agreements, the Certificates, the Certificate Purchase Agreement and/or the Trust Agreement or (ii) the Bank will be subject to less favourable regulatory capital treatment with respect to the Transaction, the Reference Obligations (taking into account any capital relief from the Notes, the Certificates or the Swap Agreements) and/or the amount of regulatory capital freed up in respect of any Reference Obligation, including as a result of a reduction of the risk weighting factor for such Reference Obligation by comparison to the situation that existed on the Issue Date immediately after the issue of the Notes.

For the avoidance of doubt, the occurrence of a Bank Regulatory Event shall not be excluded by the fact that, prior to the Issue Date, (a) the event constituting such Bank Regulatory Event was (aa) announced or contained in any proposal for a change (A) in the laws, regulations, applicable rules or policies, in their official interpretation, implementation or application of or by the Federal Republic of Germany or Ireland (including without limitation in any laws, regulations, rules or policies implementing the capital adequacy framework "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" (commonly known as Basel II) or any other accord, standard or recommendation of the Basel Committee on Banking Supervision (including any document or other communication in draft form)) (B) in the official interpretation of any laws of the European Union directly applicable to the Bank, or (bb) expressed in any statement by any official of the competent authority in expert meetings or other discussions in connection with such change or (b) the competent authority has taken any decision or expressed any view with respect to any individual transaction other than the Transaction. Accordingly, such proposals, statements, decisions or

views shall not be taken into account when assessing the capital adequacy treatment to which the Bank is subject on the Issue Date immediately after the issue of the Notes.

Bank Swap

means the credit default swap entered into between the Bank and the Counterparty, dated 11 July 2006 and effective as of 18 July 2006.

Bank Swap Termination

means the termination of the Bank Swap for any of the reasons set forth in Section 11(i) to (vi) (*Early Redemption by the Issuer*) of the Terms and Conditions.

Bankruptcy

means the relevant entity:

- (a) if relevant, is dissolved (other than pursuant to a consolidation, amalgamation, merger or subsequent to the substitution of the relevant entity as principal obligor),
- (b) is unable to pay its debts as they become due or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing, its inability generally to pay its debts as they become due,
- (c) institutes or has instituted against it proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or, if relevant, a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition:
 - (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or
 - (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof,
- (d) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger),
- (e) seeks or becomes subject to the appointment of an insolvency administrator, provisional liquidator, conservator or receiver, for it or for all or substantially all its assets, or
- (f) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (e) (inclusive).

Bond Trustee	means the relevant person(s) from time to time acting as the trustee or trustees under the bond trust deed or such other document executed in connection with the issue of bonds including Wrapped Bonds constituting a Reference Obligation.
Borrower	means, in relation to a Reference Obligation, the borrower or borrowers specified in the agreement underlying such Reference Obligation.
Business Day	means a day which is a London Business Day, a Frankfurt Business Day, a Dublin Business Day and a TARGET Settlement Day.
C Certificate	means the Floating Rate Class C Certificate in an initial principal amount of €9,000,000.
Capitalised Arrears	means any arrears of interest or fees on a Reference Obligation owed by a Borrower that have been capitalised (after the Cut-off Date or (as applicable) the Replenishment Date on which it was added to the Reference Pool) into an additional principal amount outstanding on such Reference Obligation to be repaid by the Borrower to the relevant Bank Entity.
Cash Settlement	means the Loss Allocation with respect to Realised Losses giving rise to the payment of any Cash Settlement Amount under the Swap Agreements.
Cash Settlement Amount	means each amount payable as a result of Realised Losses under the Senior Swap and the Bank Swap.
Certificate	means each of the A+ Certificate, the A Certificate, the B Certificate, the C Certificate, the D Certificate and the E Certificate each constituting an undertaking of indebtedness (<i>abstraktes Schuldversprechen</i>) of the Counterparty pursuant to § 780 of the German Civil Code (<i>Bürgerliches Gesetzbuch</i>) under which the Counterparty undertakes to pay, subject to and in accordance with the Certificate Conditions, principal and interest in an amount equal to the aggregate of the principal amount and interest of each Class of Notes corresponding to such Certificate.
Certificates Calculation Agent	means the Principal Paying Agent appointed by the Counterparty as the initial certificate calculation agent in respect of the Certificates.
Certificate Conditions	means the conditions of each Certificate.
Certificate Purchase Agreement	means the certificate purchase agreement between the Counterparty and the Purchaser dated 18 July 2006.

Certificate Termination	means upon the Counterparty exercising its prepayment options the termination of all Certificates in whole that occurs on the Payment Date and for the reasons described in Section 11 (<i>Early Redemption by the Issuer</i>) of the Terms and Conditions.
Class	means each of the Class A+, Class A, Class B, Class C, Class D and Class E.
Class A	means the Class A Notes.
Class A Notes	means the Class A Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €45,000,000 and divided into 900 Class A Notes, each having a principal amount of €50,000
Class A+	means the Class A+ Notes.
Class A+ Notes	means the Class A+ Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €250,000 and divided into 5 Class A+ Notes, each having a principal amount of €50,000.
Class B	means the Class B Notes.
Class B Notes	means the Class B Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class B Notes, each having a principal amount of €50,000.
Class C	means the Class C Notes.
Class C Notes	means the Class C Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class C Notes, each having a principal amount of €50,000.
Class D	means the Class D Notes.
Class D Notes	means the Class D Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €9,000,000 and divided into 180 Class D Notes, each having a principal amount of €50,000.
Class E	means the Class E Notes.
Class E Notes	means the Class E Floating Rate Credit Linked Notes which are issued in an initial aggregate principal amount of €6,750,000 and divided into 135 Class E Notes, each having a principal amount of €50,000.
Class of Notes	means each of the Class A+ Notes, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, and the Class E Notes.
Class Principal Amount	means, with respect to each Class, the aggregate of the Note Principal Amounts of such Class.

Clearing System	means, as applicable, Clearstream, Luxembourg and Euroclear.
Clearstream, Luxembourg	means Clearstream Banking, Société Anonyme, Luxembourg.
Clearstream, Luxembourg Participant	means the relevant participants to Clearstream, Luxembourg.
Collections	means with respect to a Reference Obligation, all payments (including prepayments, foreclosure proceeds, payments or proceeds received by the Lender on a Replacement Asset, and Late Recoveries) and any reductions of the principal amount, by way of set-off and any amounts of principal which the Borrower ceases to be obliged to pay due to a valid defence or a valid counterclaim in relation to a Reference Obligation, provided that in the case of a Partial Obligation such payments and reductions under the whole Reference Obligation shall be taken into account and further provided that such payments and any such reductions shall be allocated in accordance with the Allocation Rule.
Collection Period	<p>means:</p> <p>(a) with respect to the first Payment Date the period from the Cut-off Date until the last calendar day of the calendar month immediately preceding the month in which the first Payment Date occurs (both days inclusive), and</p> <p>(b) with respect to any subsequent Payment Date the period from the calendar day immediately following the last day of the previous Collection Period until the last calendar day of the calendar month immediately preceding the month in which such Payment Date occurs (both days inclusive).</p> <p>In case of a termination pursuant to Section 10.1 (<i>Termination for Default; Automatic Termination – Default Events</i>) of the Terms and Conditions the last Collection Period will end on the Termination Date.</p>
Common Depository	means HSBC Bank plc, 8 Canada Square, London, E14 5HQ, United Kingdom, as the common depository, or any successor as common depository for Euroclear and Clearstream, Luxembourg.
Confirmation of Compliance	means a confirmation given by the Trustee to the Bank and the Senior Swap Counterparty, on request by the Bank and / or the Senior Swap Counterparty, following the delivery of a Non-compliance Notice, confirming whether or not, in the professional judgement of the Trustee, such non-compliance, satisfies the requirements set out in Clause 10.2 (<i>Reference Obligation Removal Procedure</i>) of the Trust Agreement.

Corporate Restructuring	means a restructuring of the Issuer with the result that the Issuer ceases to exist, changes its legal form, merges with any other entity, becomes mandatorily de-registered (<i>Löschung von Amts wegen</i>), or any other event affecting the Issuer's existence.
Corresponding Payments	means payments corresponding to the obligation of the Issuer to reverse previous Loss Allocations pursuant to Section 14 (<i>Late Recoveries</i>) or Section 15 (<i>Unjustified Loss Allocation</i>) of the Terms and Conditions which can be claimed by the Counterparty under the Bank Swap and which the Counterparty is obliged to use in whole or in part to reverse previous Loss Allocations under the Certificates.
Cost Account	means an open trust account held by the Trustee in favour of the Issuer to cover Issuer Costs in accordance with Clause 25.4 (<i>Issuer Costs</i>) of the Trust Agreement.
Cost Calculation Period	means: <ul style="list-style-type: none"> (a) in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and (b) in respect of any subsequent Payment Date, the period commencing on (and including) the immediately preceding Payment Date and ending on (but excluding) such Payment Date.
Counterparty	means KfW.
Counterparty Regulatory Event	means any enactment or establishment of or supplement or amendment to, or change in, the laws of the Federal Republic of Germany, the United Kingdom, Ireland, or the European Union (with respect to the European Union only to the extent applicable to the Counterparty) or an official communication of previously not existing or not publicly available official interpretation of such laws or a change in the official interpretation, implementation or application of such laws that becomes effective on or after the Issue Date, as a result of which in the determination of the Counterparty, for reasons outside the Counterparty's control, and after taking reasonable measures (such measures not involving any material additional payment by, or capital or other expenses for the Counterparty), (i) the Counterparty would be materially restricted from performing any of its obligations under any of the Notes, the Swap Agreements, the Certificates, the Certificate Purchase Agreement and/or the Trust Agreement or (ii) the Counterparty (on an unconsolidated basis) will be subject to less favourable capital adequacy treatment with respect to the Transaction, the Reference Obligations (taking into account any capital relief from the Notes, the

Certificates or the Swap Agreements) and/or the amount of regulatory capital freed up in respect of any Reference Obligation, including as a result of a reduction of the risk weighting factor for such Reference Obligation by comparison to the situation that existed on the Issue Date immediately after the issue of the Notes.

For the avoidance of doubt, the occurrence of the Counterparty Regulatory Event shall not be excluded by the fact that, prior to the Issue Date, (a) the event constituting such Counterparty Regulatory Event was (aa) announced or contained in any proposal for a change (A) in the laws, regulations, applicable rules or policies, in their official interpretation, implementation or application of or by the Federal Republic of Germany, the United Kingdom or Ireland (including without limitation in any laws, regulations, rules or policies implementing the capital adequacy framework "International Convergence of Capital Measurement and Capital Standards: a Revised Framework" (commonly known as Basel II) or any other accord, standard or recommendation of the Basel Committee on Banking Supervision (including any document or other communication in draft form)) (B) in the official interpretation of any laws of the European Union directly applicable to the Counterparty, or (bb) expressed in any statement by any official of the competent authority in expert meetings or other discussions in connection with such change or (b) the competent authority has taken any decision or expressed any view with respect to any individual transaction other than the Transaction. Accordingly, such proposals, statements, decisions or views shall not be taken into account when assessing the capital adequacy treatment to which the Counterparty is subject on the Issue Date immediately after the issue of the Notes.

Counterparty Tax Event	means any enactment or establishment of or supplement or amendment to, or change in, the laws of the Federal Republic of Germany, the United Kingdom or Ireland, or an official communication of previously not existing or not publicly available official interpretation of such laws, or a change in the official interpretation, implementation or application of such laws, in each case that becomes effective on or after the Issue Date, as a result of which in the determination of the Counterparty, the Counterparty, for reasons outside its control, would be required to pay any additional amounts on account of taxes resulting from a change in the Issuer's status for German tax purposes and/or to make any tax withholding or deduction in respect of any payments on the Certificates and/or the Swap Agreements or the Issuer would be required to pay any insurance tax in respect of the Notes.
Credit and Collection Policies	means the standard credit and collection policies of the relevant Bank Entity for obligations of the type of Reference Obligations described in the Eligibility Criteria, as amended or supplemented from time to time after the Issue Date in accordance with the Servicing Standards, applied by the relevant Bank Entity and including modifications and adjustments applicable to any such Bank Entity.
Credit Event	means with respect to a Reference Obligation the occurrence, after the Issue Date and on or prior to the Scheduled Maturity Date, of: <ul style="list-style-type: none"> (a) Bankruptcy of the relevant Borrower and, where the Reference Obligation is a Wrapped Bond/Loan, accompanied by a Failure to Pay by the relevant Credit Insurer, or (b) Failure to Pay. A Credit Event shall be deemed not to have occurred if it is remedied before a Credit Event Notice has been given.
Credit Event Notice	means an irrevocable notice given by the Bank in accordance with Section 13.2(b) (<i>Loss Allocation – Conditions to Loss Allocation – Credit Event Notice</i>) of the Terms and Conditions which shall, in respect of a Non-€ Reference Obligation, also specify the applicable Exchange Rate.
Credit Insurer	means the person granting insurance coverage in connection with a Wrapped Bond/Loan.
Creditor	means any creditor of a Certificate.
Cut-off Date	means 30 April 2006.
D Certificate	means the Floating Rate Class D Certificate in an initial principal amount of €9,000,000.

Default Event	means that the Issuer fails to make any payment due to be made under the Notes within 30 Business Days from the relevant due date.
Defaulted Reference Obligation	<p>means a Reference Obligation, other than a Liquidated Reference Obligation:</p> <p>(a) in respect of which a Credit Event had occurred and was not remedied before a Credit Event Notice has been given and</p> <p>(b) in respect of which a Credit Event Notice has been given regarding such Credit Event (but any Realised Loss has not yet been allocated in accordance with Loss Allocation).</p>
Deferred Amount	means the aggregate Outstanding Nominal Amount of all Defaulted Reference Obligations and / or Liquidated Reference Obligations for which Realised Losses have not finally been determined and verified by the Trustee in accordance with Clause 8.2 (<i>Verification; Confirmation of Loss Allocation; Initiation of Procedures</i>) of the Trust Agreement as of the end of the Collection Period immediately preceding the Scheduled Maturity Date, the Termination Date or the Early Redemption Date, as applicable.
Deferred Payment Date	means the 70 th calendar day following the Termination Date.
Deferred Redemption	means a Deferred Redemption of the Notes in accordance with Section 12 (<i>Deferred Redemption</i>) of the Terms and Conditions.
Deferred Redemption Amount	<p>means the excess of:</p> <p>(a) the aggregate Note Principal Amounts of all Notes (multiplied in the case of the Class A+ Notes by the A+ Increase Factor) as of the calendar day preceding a Payment Date reduced by Realised Losses allocated to such Notes as of such Payment Date and increased by any Late Recoveries or as a result of any Unjustified Loss Allocation procedure as of such Payment Date over</p> <p>(b) the Deferred Amount, if any, as of the end of the Collection Period immediately preceding such Payment Date minus the Outstanding Threshold Amount as of the end of the Collection Period immediately preceding such Payment Date.</p>
DEPFA	means DEPFA BANK plc.

DEPFA Settlement Date	<p>means:</p> <p>(a) in respect of the payment of and/or related to Late Recoveries and any Unjustified Loss Allocation 4 (four) Business Days prior to a relevant Payment Date (which shall, for the avoidance of doubt, also apply to payments of interest and margin in connection with Late Recoveries and any Unjustified Loss Allocation), and</p> <p>(b) the relevant Payment Date in all other cases.</p>
DSCR	means the debt service coverage ratio.
Dublin Business Day	means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in Dublin, Ireland.
E Certificate	means the Floating Rate Class E Certificate in an initial principal amount of €6,750,000.
Early Redemption	means a redemption of the Notes prior to the Legal Maturity Date in accordance with Section 11 (<i>Early Redemption by the Issuer</i>) of the Terms and Conditions.
Early Redemption Date	means the Payment Date on which the Issuer shall redeem all Classes of the Notes (save for such Notes the redemption of which has been deferred pursuant to Section 12 (<i>Deferred Redemption</i>)) in whole upon the occurrence of a Bank Swap Termination or a Certificate Termination in accordance with Section 11 (<i>Early Redemption by the Issuer</i>) of the Terms and Conditions.
Early Redemption Notification	<p>means a notification by the Issuer or the Principal Paying Agent on its behalf given pursuant to and to the persons specified in Section 17.2 (<i>Investor Notifications – Early Redemption</i>) of the Terms and Conditions, containing the following information:</p> <p>(a) the Termination Date, or the Actual Date of Redemption, as applicable; and</p> <p>(b) other matters contained in a Regular Notification to the extent applicable.</p>
EC Treaty	means the treaty establishing the European Community (signed in Rome on 25 March 1957 and entered into force on 1 January 1958), as amended from time to time, including by the Treaty on European Union (signed in Maastricht on 7 February 1992 and entered into force on 1 November 1993) as amended by the Treaty of Amsterdam (signed on 2 October 1997 and entered into force on 1 May 1999) and as amended by the Treaty of Nice (signed on 26 February 2001 and entered into force on 1 February 2003) as amended.

Eligibility Criteria	means the criteria set out in Provision 4 (<i>Eligibility Criteria</i>) of the Reference Pool Provisions.
Eligible Country	means a country which satisfies the requirements of Provision 4.7 (<i>Eligibility Criteria – Eligible Country</i>) of the Reference Pool Provisions.
Eligible Project	means a project which satisfies the requirements of Provision 4.8 (<i>Eligibility Criteria – Eligible Project</i>) of the Reference Pool Provisions.
Eligible Project Agreement	means a project agreement which satisfies the requirements of Provision 4.5 (<i>Eligibility Criteria – Eligible Project Agreement</i>) of the Reference Pool Provisions and evidences an Eligible Project.
Eligible Project Sector	means a project sector which satisfies the requirements of Provision 4.9 (<i>Eligibility Criteria – Eligible Project Sector</i>) of the Reference Pool Provisions.
Eligible Public Sector Entity	means a public sector entity which satisfies the requirements of Provision 4.6 (<i>Eligibility Criteria – Eligible Public Sector Entity</i>) of the Reference Pool Provisions.
EURIBOR	<p>means, for each Interest Accrual Period, the rate for deposits in EUR for a period of three months which appears on Telerate Page 248 of the Associated Press-Dow Jones Telerate Service (or such other page as may replace such page on that service for the purpose of displaying Brussels interbank offered rate quotations of major banks) as of 11:00 a.m. (Brussels time) on the EURIBOR Determination Date as determined by the Principal Paying Agent.</p> <p>With respect to a EURIBOR Determination Date for which EURIBOR does not appear on Telerate Page 248, EURIBOR will be determined on the basis of the rates at which deposits in € are offered by the Reference Banks at approximately 11:00 a.m. (Brussels time) on the EURIBOR Determination Date to prime banks in the Euro-zone interbank market for the relevant Interest Accrual Period and in a principal amount equal to an amount that is representative for a single transaction in such market at such time. The Principal Paying Agent will request the principal Euro-zone office of each such Reference Bank to provide a quotation of its rate. If at least two such quotations are provided, EURIBOR on such EURIBOR Determination Date will be the arithmetic mean as determined by the Principal Paying Agent (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of such quotations. If fewer than two such quotations are provided, EURIBOR on such EURIBOR Determination Date will be the arithmetic mean as determined by the</p>

Principal Paying Agent (rounded, if necessary, to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the rates quoted by major banks in the Euro-zone selected by the Principal Paying Agent at approximately 11.00 a.m., Brussels time, on such EURIBOR Determination Date for loans in € for the relevant Interest Accrual Period and in a principal amount equal to an amount that is representative for a single transaction in such market at such time to leading European banks.

If the Principal Paying Agent is on any EURIBOR Determination Date required but unable to determine EURIBOR for the relevant Interest Accrual Period in accordance with the above, EURIBOR for such Interest Accrual Period shall be the EURIBOR as determined on the previous EURIBOR Determination Date.

Should an Interest Accrual Period be shorter or longer than three months, EURIBOR for such Interest Accrual Period shall be determined through the use of straight-line interpolation by reference to two rates, one of which shall be determined as the period of time for which rates are available next shorter than the length of the Interest Accrual Period and the other of which shall be determined as the period of time for which rates are available next longer than the length of the Interest Accrual Period.

EURIBOR Determination Date	means the second Target Settlement Day prior to the day as of which an Interest Accrual Period commences.
Euro, € or EUR	means the lawful currency of those participating members of the European Union who have adopted the Euro as their lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.
€ Reference Obligation	means a Reference Obligation denominated in €
Euroclear	means Euroclear Bank S.A./N.V. as operator of the Euroclear System.
Euroclear Participant	means the relevant participants to Euroclear.
European Union or EU	means the union of currently 25 European member states as created by the Treaty on European Union (signed in Maastricht on 7 February 1992 and entered into force on 1 November 1993), amended by the Treaty of Amsterdam (signed on 2 October 1997 and entered into force on 1 May 1999) and amended by the Treaty of Nice (signed on 26 February 2001 and entered into force on 1 February 2003) as amended.

Euro-zone

means the region comprising member states of the European Union that have adopted the single currency, the Euro, in accordance with the EC Treaty.

Exchange Date

means the day not earlier than 40 calendar days and not later than 180 calendar days after the date of issue of the Temporary Global Notes upon delivery by the relevant Euroclear Participants or Clearstream, Luxembourg Participants, as relevant, and by Euroclear or Clearstream, Luxembourg, as relevant, to the Principal Paying Agent, of certificates in the form which forms part of the Temporary Global Notes and are available from the Principal Paying Agent for such purpose, to the effect that the beneficial owner or owners of the Notes represented by the Temporary Global Note is not a U.S. person or are not U.S. persons other than certain financial institutions or certain persons holding through such financial institutions on which the Temporary Global Notes shall be exchanged for the Permanent Global Notes pursuant to Section 1.5 (*Notes – Exchange of Temporary Global Notes*) of the Terms and Conditions.

Exchange Rate

means at any time in respect of a Non-€ Reference Obligation the Bank Exchange Rate:

- (a) which
 - (i) was specified in the relevant Reference Obligation List, delivered either on the Issue Date or, in respect of a Replenishment Obligation, on the corresponding Replenishment Date, or
 - (ii) applies to any New Reference Obligation being a Non-€ Reference Obligation added to the Reference Pool in accordance with Provision 2.2 (*Reference Obligations – Restructuring and Rescheduling of Reference Obligations*) of the Reference Pool Provisions such rate to be reported in accordance with Clause 7.1(k) (*Reports, Documents, Information*) of the Trust Agreement, or
- (b) as mentioned in any Re-set Information in respect of such Non-€ Reference Obligation in accordance with Provision 2.3 (*Non-€ Reference Obligations; Re-Sets*) of the Reference Pool Provisions,

whichever Bank Exchange Rate mentioned in (a) or (b) was determined later.

Expert	means an independent third party appointed by the Trustee in accordance with Clause 12 (<i>Expert for the Procedures</i>) of the Trust Agreement that is an appropriately qualified professional but which is not an affiliate or otherwise related party of either the Issuer, the Counterparty, the Bank, the Arranger or the Trustee.
Extraordinary Costs	means, with respect to each Payment Date, all Issuer Costs, except the fees, costs and expenses of the Trustee, the Administrator, the Principal Paying Agent, the Issuer's auditor and auditor tax compliance and the Issuer's directors.
Failure to Pay	<p>means with respect to a Reference Obligation:</p> <p>(a) that:</p> <p style="padding-left: 40px;">(i) a payment due under the terms of (y) the loan agreement related to the Project Loan or Underlying Project Finance Loan or (z) the relevant Project Guarantee Indemnity (as applicable);</p> <p style="padding-left: 40px;">and</p> <p style="padding-left: 40px;">(ii) in respect of a Wrapped Bond/Loan only, a payment due by the relevant Credit Insurer in an aggregate amount (in the case of a Wrapped Bond/Loan determined on the basis of (a)(ii) above only) of not less than € 150,000 or, if lower, not less than 50% of the Outstanding Nominal Amount of such Reference Obligation, have not been made within the greater of:</p> <p style="padding-left: 80px;">(aa) 30 calendar days and</p> <p style="padding-left: 80px;">(bb) the actual grace period applicable in accordance with the terms of the Related Financing Documents from the relevant due date,</p> <p>or</p> <p>(b) a Syndicate Payment Forfeiture.</p>
First Pledge	means a pledge granted by the Issuer ranking prior to the Second Pledges over all its present and future rights and claims under the Certificates to the Trustee pursuant to the Trust Agreement as security for the Trustee Claim.
Fitch	means Fitch Ratings Ltd. and any successor to its rating business.

Foreclosure Event

means the occurrence of any of the following events:

- (a) a Default Event
- (b) an Automatic Termination Event (other than the occurrence of an event specified under (b) and (c) of the definition of 'Automatic Termination Event'), or
- (c) the Notes become due and subject to early redemption by operation of insolvency or other mandatory laws.

Frankfurt Business Day

means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in Frankfurt am Main, Germany.

Global Note

means each Permanent Global Note and each Temporary Global Note.

IFSRA

means the Irish Financial Services Regulatory Authority.

Illegality Event

means any enactment or establishment of or supplement or amendment to, or change in, the laws of the Federal Republic of Germany or Ireland, or an official communication of previously not existing or not publicly available official interpretation of such laws or a change in the official interpretation, implementation or application of such laws, in each case that becomes effective on or after the Issue Date, as a result of which, in the determination of the Bank subject to the professional judgement of the Trustee, for reasons outside the Bank's control, and after taking reasonable measures (such measures not involving any material additional payment by, or capital or other expenses for, the Bank or the Issuer), the Bank would be materially restricted from complying with the conditions for the Loss Allocation and/or the Bank would be materially restricted from performing any obligations under any of the Trust Agreement and/or the Bank Swap.

Increase Amount

means:

- (a) in respect of a Partial Obligation, a further part of such Reference Obligation or
- (b) in respect a Reference Obligation which is not a Partial Obligation, an increase of its principal balance,

which in either case is added or to be added to the Reference Pool by way of Replenishment.

Indemnification Claim	means the claim of the Trustee for indemnification against all costs and expenses resulting from its activities pursuant to Clause 20.2 (<i>Fees and Reimbursement of the Trustee</i>) of the Trust Agreement (including fees for retaining an Expert, the Value Expert, or an Advisor as well as fees and expenses of any third party retained in accordance with Clause 18 (<i>Retaining of Third Parties</i>) of the Trust Agreement) and against all liability, obligations and attempts to bring any action in or out of court.
Initial Aggregate Principal Balance	means €718,054,748, being the Aggregate Principal Balance of the Reference Obligations included in the Initial Reference Pool as at the beginning of business (in London) on the Cut-off Date.
Initial Exchange Rate	means, with respect to a Non-€ Reference Obligation: <ul style="list-style-type: none"> (a) included in the Initial Reference Pool, the Bank Exchange Rate prevailing on the Cut-off Date, and (b) which is a Replenishment Obligation, the Bank Exchange Rate prevailing on the corresponding Replenishment Date.
Initial Price	means, in respect of a Reference Obligation as of the date on which such Reference Obligation is included in the Reference Pool: <ul style="list-style-type: none"> (a) in respect of a Reference Obligation that the Bank Entity purchased in the secondary market, the price (exclusive of accrued interest) which the Bank Entity paid in respect of such Reference Obligation expressed as a percentage of its outstanding principal balance on the date of purchase, and (b) otherwise, the original syndication price in respect of such Reference Obligation, <p>provided that in respect of both (a) and (b) above where such purchase price or original syndication price, as the case may be, is greater than 100 per cent., the Initial Price in respect of such Reference Obligation shall be deemed to be 100 per cent.</p>
Initial Reference Pool	means the Reference Pool as at the Cut-off Date.
Initial Senior Notional Amount	means €805,250,000.

Insolvency	means that the Bank is (or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts (within the meaning of Section 214 of the Irish Companies Act 1963 or Section 2(3) of the Companies (Amendment) Act 1990), stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Bank.
Interest Accrual Period	means for all Classes: <ul style="list-style-type: none"> (a) in respect of the first Payment Date, the period commencing on (and including) the Issue Date and ending on (but excluding) the first Payment Date and (b) in respect of any subsequent Payment Date, the period commencing on (and including) the immediately preceding Payment Date and ending on (but excluding) such Payment Date.
Interest Amount	means the amount of interest payable in respect of each Note on any Payment Date calculated in accordance with Section 7.3 (<i>Interest Amount</i>) of the Terms and Conditions.
Interest Rate	means the interest rate payable on the respective Class of Notes for each Interest Accrual Period as set out in Section 7.4 (<i>Interest Rates</i>) of the Terms and Conditions.
Investor Notification	means: <ul style="list-style-type: none"> (a) each Regular Notification and the Early Redemption Notification, if any, and (b) the information to be provided to the Senior Swap Counterparty pursuant to the Trust Agreement and the information to be provided to the Counterparty each as agreed with the Bank and notified to the Trustee.
Irish Listing Agent	means A&L Listing Limited, International Financial Services Centre, North Wall Quay, Dublin 1, Ireland, or any successor appointed by the Issuer.
Irish Paying Agent	means HSBC Institutional Trust Services (Ireland) Limited, HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland, or any successor appointed in accordance with the Agency Agreement.

Issue Date	means 18 July 2006.
Issue Price	means in respect of each Class of Notes 100.00 per cent. of the respective Class Principal Amount of the Notes.
Issuer	means, Essential Public Infrastructure Capital II GmbH, a limited liability company (<i>Gesellschaft mit beschränkter Haftung, GmbH</i>) incorporated under the laws of the Federal Republic of Germany with its office at Eysseneckstraße 4, 60322 Frankfurt am Main, Federal Republic of Germany.
Issuer Costs	<p>means, with respect to each Payment Date, the actual amount of all fees, costs and expenses, including, without limitation, fees, costs and expenses of:</p> <ul style="list-style-type: none"> (a) the Trustee, Experts, the Value Expert, third parties retained pursuant to Clause 18 (<i>Retaining of Third Parties</i>) of the Trust Agreement and the Advisors, (b) the Administrator, (c) the Transaction Account Bank, (d) the auditors and directors of the Issuer, (e) the Principal Paying Agent, the Irish Paying Agent, the Irish Stock Exchange, (f) the Rating Agencies for monitoring of the rating of the Notes, (g) any fees for publications due to be made in connection with the Notes as well as all stamp duties, registration, value added, turnover and similar taxes which are imposed on the Issuer or payable by the Issuer in connection with the Transaction, including under the Transaction Documents, amounts payable by the Issuer pursuant to Clauses 20 (<i>Fees and Reimbursement of the Trustee</i>) to (and including) 23 (<i>Taxes</i>) and Clause 24.6 (<i>Termination; Replacement</i>) of the Trust Agreement, (h) all costs and expenses of the Issuer in connection with its statutory obligations and costs and expenses reasonably incurred in obtaining legal advice and of the Issuer's advisors, <p>in each case incurred and advances reasonably requested by the Issuer in respect thereof during the Cost Calculation Period immediately preceding such date, and all amounts of any such costs, expenses or advances previously incurred, requested or declared by the Issuer but not yet paid and any costs and expenses incurred in liquidating the Issuer in excess of the Issuer's own assets.</p>

For the avoidance of doubt, the Issuer Costs shall include all amounts payable pursuant to Clause 29.2(a) to (d) (*Limited Recourse and Non-Petition; Priority of Payments*) of the Trust Agreement but shall not include any amounts payable by the Issuer otherwise than in the ordinary course of business, in connection with the performance of the Transaction or in accordance with the Transaction Documents.

The Issuer Costs shall, in particular, not include any amounts payable under the Notes or payable by the Issuer as a result of its non-compliance with any of the Transaction Documents, the Memorandum and Articles of Association of the Issuer or applicable law, and/or any amounts payable under Clause 8(2) of the Subscription Agreement, and/or on account of taxes, except, in each case, as expressly specified above.

Japanese Yen

means the lawful currency of Japan.

KfW

means KfW, Palmengartenstraße 5-9, 60325 Frankfurt am Main, Germany.

Late Recovery

means with respect to a Collection Period and a Liquidated Reference Obligation, an amount equal to the aggregate of all payments or other reductions of principal (converted, if necessary, in accordance with Provision 2.3 (*Reference Obligations – Non-€ Reference Obligations; Re-sets*) of the Reference Pool Provisions) recovered in accordance with the Allocation Rule after the date of the Credit Event by the relevant Lender from the Borrower, any guarantor or surety of the relevant Borrower or any insurer or other person in respect of such Liquidated Reference Obligation which have not been taken into account in determining:

- (a) the Realised Loss in respect of the relevant Liquidated Reference Obligation, or
- (b) any previous Late Recovery,

provided that the aggregate of all Late Recoveries in respect of a Liquidated Reference Obligation shall not exceed the Realised Loss for such Liquidated Reference Obligation.

Law Concerning the Kreditanstalt für Wiederaufbau

(*Gesetz über die KfW*) dated 5 November 1948 (WiGBl., p. 123) in the version of 23 June 1969 (BGBl. I, p. 573) as amended from time to time, in particular, as amended by the Gesetz zur Umsetzung aufsichtsrechtlicher Bestimmungen zur Sanierung und Liquidation von Versicherungsunternehmen und Kreditinstituten (law on the reorganisation and winding-up of insurance undertakings and credit institutions) dated 10 December 2003 (BGBl. I, p. 2478).

Lead Manager	means Merrill Lynch International, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ.
Legal Maturity Date	means the Payment Date falling in October 2044.
Legal Maturity Report	means the Pool Report to be delivered to the Trustee by the Bank on the Report Date immediately before the Legal Maturity Date which includes, in addition to the information pursuant to Clause 7.1 (<i>Report; Documents; Information</i>) of the Trust Agreement, <i>inter alia</i> , the following: <ul style="list-style-type: none"> (a) redemption amounts with respect to each Note then outstanding; and (b) any Appraised Loss and/or Appraised Value.
Lender	means, with respect to a Reference Obligation, the relevant Bank Entity including, as the case may be, any Bank Entity as assignee in respect of a Reference Obligation pursuant to Provision 8 (<i>Transfers</i>) of the Reference Pool Provisions.
Liquidated Reference Obligation	means a Reference Obligation: <ul style="list-style-type: none"> (a) in respect of which a Credit Event has occurred, (b) in respect of which a Credit Event Notice has been given to the Trustee in accordance with Section 13.2(b) (<i>Loss Allocation – Conditions to Loss Allocation – Credit Event Notice</i>) of the Terms and Conditions, and (c) in respect of which the Bank has given, subject to Section 13.2(d)(iii) (<i>Loss Allocation – Conditions to Loss Allocation – Appraisal Following Adjustment Notice</i>) and Section 12 (<i>Deferred Redemption</i>), an Allocation Notice to the Trustee in accordance with Section 13.2(c) (<i>Loss Allocation – Conditions to Loss Allocation – Allocation Notice</i>) of the Terms and Conditions.
London Business Day	means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) and foreign exchange markets settle payments in London, England.
Loss Allocation	means the allocation on each Payment Date of the aggregate amount of any Realised Losses pursuant to Section 13 (<i>Loss Allocation</i>) of the Terms and Conditions.
Material Adverse Effect	means an increase in the risk of loss (in terms of likelihood and/or magnitude) in relation to a Reference Obligation.

Maturity Overrun Amount	means, in respect of a Reference Obligation the maturity of which has been extended for a whole or a part of such Reference Obligation, or which has been substituted by a New Reference Obligation, such part of the Outstanding Nominal Amount of the Reference Obligation or, as the case may be, the New Reference Obligation, which is due and payable after the Scheduled Maturity Date.
Miniperms Loan	means a Project Loan in respect of which at the Sweep Date: <ul style="list-style-type: none"> (a) a cash sweep mechanism begins to apply whereby all excess cash flow is mandatorily applied towards the repayment of the relevant Reference Obligation and other debt service; and/or (b) all remaining amounts then outstanding with respect to the relevant Reference Obligation become immediately due and payable at the election of the relevant Bank Entity or otherwise.
Moody's	means Moody's Investor Service Limited and any successor to its rating business.
New Issuer	means a substitute debtor for the Issuer in respect of all obligations arising under or in connection with the Notes and the Transaction Documents named by the Issuer in accordance with Section 20.1 (<i>Substitution of the Issuer – General</i>) of the Terms and Conditions.
New Reference Obligation	means, as a result of debt restructuring or payment rescheduling in compliance with the Servicing Standards, any Reference Obligation the terms of which are amended, restated or supplemented or a new Reference Obligation replacing any Reference Obligation with one or more other claims in accordance with Provision 2.2 (<i>Reference Obligations – Restructuring and Rescheduling of Reference Obligations</i>) of the Reference Pool Provisions.
Non-compliance Notice	means a notice given by the Bank to the Trustee, the Counterparty and the Issuer in respect of a Non-complying Reference Obligation in accordance with Clause 10.1 (<i>Reference Obligation Removal Procedure</i>) of the Trust Agreement.

Non-complying Reference Obligation

means, subject to Clause 10.2 (*Reference Obligation Removal Procedure*) of the Trust Agreement, a Reference Obligation:

- (a) that was in the Initial Reference Pool and in respect of which any of the Eligibility Criteria were not met on the Issue Date, or
- (b) which was added to the Reference Pool after the Issue Date and in respect of which any of the Eligibility Criteria or the Replenishment Criteria were not met on the Replenishment Date on which such Reference Obligation was added to the Reference Pool, or
- (c) in respect of which the Servicing Standards have not been complied with.

Non-€ Reference Obligation

means a Reference Obligation denominated in a currency other than €

Non-qualifying Reference Obligation

means:

- (a) such (part of a) Reference Obligation, which has become a Write-down Amount; or
- (b) such (part of a) Reference Obligation, which has become a Syndicate Payment Forfeiture Removal Amount; or
- (c) a Notice Default Obligation; or
- (d) a Non-complying Reference Obligation with regard to which the Trustee states in a Confirmation of Compliance that its non-compliance:
 - (i) does or will have a Material Adverse Effect on the Reference Obligation becoming a Liquidated Reference Obligation; or
 - (ii) does or will have a Material Adverse Effect on any Realised Loss that may arise with respect to such Reference Obligation; or
 - (iii) in the case of the Trustee's repeated assessment after a Loss Allocation, has or has had a Material Adverse Effect, in accordance with Clause 10.2 (*Reference Obligation Removal Procedure*) of the Trust Agreement, or
- (e) a Reference Obligation (other than a Notice Default Obligation) with respect to which a Zero Loss Notice has been delivered.

Note Principal Amount	means with respect to any date the amount of any Note (rounded, if necessary, to the nearest €0.01, with €0.005 being rounded upwards) equal to the initial principal amount of such Note as, on or before such date: <ul style="list-style-type: none"> (a) reduced by any Realised Losses allocated to such Note, (b) increased by any Late Recoveries or as a result of any Unjustified Loss Allocation procedure, and (c) reduced by any amounts paid on such Note in respect of principal.
Noteholder	means a holder of a Note.
Noteholder Collateral	means in addition to the Trustee Collateral, a Second Pledge granted by the Issuer on the Issue Date for each Note of a Class over all its present and future rights and claims under the corresponding Certificate to the Lead Manager as initial holder of the Notes to secure the Issuer's obligations under such Note pursuant to the Noteholder Security Agreement.
Noteholder Security Agreement	means the noteholder security agreement between the Issuer, the Trustee and the Pledgee, dated on or as of 18 July 2006.
Notes	means the Class A+, the Class A, the Class B, the Class C, the Class D, and the Class E issued by the Issuer as described in the Prospectus.
Notice	means a notice to be delivered by the Trustee to the Bank and the Issuer with a copy to the Counterparty under the Trust Agreement initiating a Procedure.
Notice Default Obligation	means a Reference Obligation with respect to which a Credit Event has occurred but with respect to which the Bank has failed to give a Credit Event Notice within 90 calendar days in accordance with Section 13.2(b) (<i>Loss Allocation – Conditions to Loss Allocation – Credit Event Notice</i>) of the Terms and Conditions.
Official List	means the Irish Stock Exchange's main market for listing companies.
Order of Seniority	means: <ul style="list-style-type: none"> first, the Class A+ Notes, second, the Class A Notes, third, the Class B Notes, fourth, the Class C Notes, fifth, the Class D Notes and sixth, the Class E Notes.

Outstanding Currency Amount	<p>means at any time with respect to a Non-€ Reference Obligation:</p> <p>(a) the initial principal amount of such Non-€ Reference Obligation as of the Cut-off Date or the Replenishment Date on which it was added to the Reference Pool, as relevant, less</p> <p>(b) the Collections in respect of such Non-€ Reference Obligation in accordance with the Allocation Rule, expressed in the currency in which such Non-€ Reference Obligation is denominated.</p>
Outstanding €Equivalent Amount	<p>means at any time with respect to a Non-€ Reference Obligation the relevant Outstanding Currency Amount converted into € at the related Exchange Rate.</p> <p>For the avoidance of doubt the Outstanding € Equivalent Amount does not include any Undrawn Principal Amounts, Capitalised Arrears, interest or penalties; the Outstanding € Equivalent Amount may only be increased by way of Replenishment or Re-set.</p>
Outstanding €Amount	<p>means at any time with respect to a Reference Obligation other than a Non-€ Reference Obligation:</p> <p>(a) the initial principal amount of such Reference Obligation as of the Cut-off Date or the Replenishment Date on which it was added to the Reference Pool, as relevant, less</p> <p>(b) Collections in respect of such Reference Obligation in accordance with the Allocation Rule.</p> <p>For the avoidance of doubt the Outstanding € Amount does not include any Undrawn Principal Amounts, Capitalised Arrears, interest or penalties; the Outstanding € Amount may only be increased by way of Replenishment.</p>
Outstanding Nominal Amount	<p>means in respect of:</p> <p>(a) a Non-€ Reference Obligation, the Outstanding € Equivalent Amount, and</p> <p>(b) any other Reference Obligation, the relevant Outstanding € Amount,</p> <p>provided that in respect of a New Reference Obligation the "Outstanding Nominal Amount" shall be determined in accordance with Provision 2.2(a) (<i>Reference Obligations – Restructuring and Rescheduling of Reference Obligations</i>) of the Reference Pool Provisions.</p>

Outstanding Threshold Amount	<p>means, in respect of any date, Threshold Amount as, on or before such date,</p> <p>(a) reduced by any Realised Losses allocated to the Outstanding Threshold Amount immediately prior to an allocation pursuant to Section 13.3 (<i>Loss Allocation – Order</i>) of the Terms and Conditions and</p> <p>(b) increased by any Late Recoveries applicable to the Outstanding Threshold Amount immediately prior to such allocation and as a result of the Unjustified Loss Allocation procedure.</p>
Partial Obligation	<p>means, at any time, a part of a Reference Obligation which is included in the Reference Pool.</p>
Participant	<p>in the case of Subparticipations in each case the lending third party bank by which the Subparticipation has been granted as specified to the Trustee.</p>
Payment Condition	<p>means that the Counterparty's payment obligations under the Certificates are subject to the condition that the Counterparty has received from the Bank the relevant Corresponding Payments under the Bank Swap as fully cleared funds at the latest on the relevant Depfa Settlement Date.</p>
Payment Date	<p>means each 26th calendar day of January, April, July and October of each year. The first Payment Date will be 26 October 2006. Unless the Notes are redeemed earlier in full, the last Payment Date will be the Legal Maturity Date. For the purposes of Loss Allocation the Termination Date shall qualify as a "Payment Date".</p> <p>If a Payment Date would fall on a day that is not a Business Day, such Payment Date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such Payment Date shall be brought forward to the immediately preceding Business Day.</p>
Permanent Global Note	<p>means a permanent global bearer note without interest coupons representing a Class of Notes.</p>
Pledged Claims	<p>means in respect of the Noteholder Security Agreement the Certificates and the rights and claims set forth therein.</p>
Pledgee	<p>means pursuant to the Noteholder Security Agreement the Lead Manager.</p>

Pool Reduction	<p>means as of the last day of the Related Collection Period:</p> <p>(a) at any time, the aggregate principal amount of all Reference Obligations removed from the Reference Pool pursuant to Provision 9 (<i>Removals</i>) of the Reference Pool Provisions during the Related Collection Period, plus</p> <p>(b) after the end of the Replenishment Period only, any Collections made during the Related Collection Period which are allocated to principal in accordance with the Allocation Rule.</p> <p>For the avoidance of doubt, the Pool Reduction shall not include any Realised Losses.</p>
Pool Report	<p>means a report on the performance of the Reference Pool including the points set out in Clause 7.1 (<i>Report; Documents; Information</i>) of the Trust Agreement and provided to the Trustee by the Bank on the dates set out in therein.</p>
Principal Paying Agent	<p>means HSBC Bank plc, 8 Canada Square, London, E14 5HQ, United Kingdom as the principal paying agent and interest determination bank, or its successor in such function, as the principal paying agent and interest determination bank, or its successor in such function.</p>
Priority of Payments	<p>means the priority of payments set out in Clause 29.2 (<i>Limited Recourse and Non-Petition; Priority of Payments</i>) of the Trust Agreement.</p>
Procedure	<p>means a procedure, if any, pursuant to Clauses 8.1 (<i>Verification; Confirmation of Loss Allocation; Initiation of Procedures</i>); 8.2(a) (<i>Verification; Confirmation of Loss Allocation; Initiation of Procedures</i>); 9 (<i>Loss Allocation Procedure</i>) 10 (<i>Reference Obligation Removal Procedure</i>), 11 (<i>Redemption Procedures</i>), 12 (<i>Expert for the Procedures</i>) 13 (<i>Value Experts for Determination of Appraised Values and Appraised Losses</i>) and/or 14 (<i>Obligation of the Trustee to Act</i>) of the Trust Agreement.</p>
Procedures Manual	<p>means the "DEPFA Bank plc IFU Procedures and Policy Manual 2006" as delivered to the Trustee and the Senior Swap Counterparty and as such may be amended from time to time in accordance with Section 1.2 (<i>Common Principles – Amendments</i>) of the Servicing Standards.</p>
Project Agreement	<p>means a project agreement or a concession agreement with a Relevant Public Sector Entity.</p>
Project Contractor	<p>means an entity or combination of entities that has entered into an Eligible Project Agreement with an Eligible Public Sector Entity in relation to an Eligible Project and whose sole business (either alone or in conjunction with a Project Funding Vehicle) is that Eligible Project.</p>

Project Funding Vehicle	means an entity whose sole business is to raise funds and to lend those funds to a Project Contractor in connection with the Project Contractor's obligations under a Relevant Project Agreement.
Project Guarantee Indemnity	means a claim, including a partial claim, owed by the Borrower to or for the benefit of the Lender under any guarantee indemnity, reimbursement obligation or any rights acquired by the Lender through subrogation, in each case in relation to repayment of principal arising from certain project finance loans (including loans, bonds and other finance instruments) made to the Borrower in connection with the Project Contractor's obligations under the Relevant Project Agreement.
Project Loan	means a claim, including a partial claim, owed by the Borrower to or for the benefit of the Lender (including Subparticipations) for the repayment of principal arising from certain project finance loans (including loans, Wrapped Bonds/Loans, other bonds, and finance instruments) made to the Borrower in connection with the Project Contractor's obligations under the Relevant Project Agreement.
Prospectus	means the final prospectus in the English language dated on or around 11 July 2006 prepared by the Issuer in connection with the offer and sale of the Notes.
Purchaser	means the Issuer.
Rating Agencies	means S&P and Fitch.

Realised Loss

means, with respect to a Liquidated Reference Obligation, the Outstanding Nominal Amount of such Liquidated Reference Obligation at the end of the relevant Collection Period before the Payment Date on which the Loss Allocation with respect to such Liquidated Reference Obligation is effected, after deducting the aggregate of:

- (a) any amounts in respect of which the Lender has successfully exercised against the relevant Borrower a right of set-off against losses on such Liquidated Reference Obligation;
- (b) the proceeds from the enforcement of the Reference Collateral allocated to such Liquidated Reference Obligation or any other proceeds with respect to the Liquidated Reference Obligation (irrespective of the legal structure such Liquidated Reference Obligation may have following a restructuring);
- (c) any Appraised Value,

provided that the Realised Loss for such Liquidated Reference Obligation shall:

- (i) if an Adjustment Notice has been given not exceed the relevant Syndicate Write-down Amount,
- (ii) in any event not be less than zero, and
- (iii) not include any Capitalised Arrears.

Redemption Amount

means the redemption amount specified in Section 9.2 (*Redemption – Amortisation of the Notes – Redemption of the Notes*) of the Terms and Conditions.

Redemption Report

means the Pool Report in connection with early redemption of the Notes pursuant to Section 10 (*Termination for Default*) or Section 11 (*Early Redemption by the Issuer*) of the Terms and Conditions to be delivered to the Trustee by the Bank not later than on the 4th Business Day prior to the Actual Date of Redemption of the Notes in accordance with Section 10 (*Termination for Default*) of the Terms and Conditions or the Early Redemption Date, as relevant, and including, *inter alia*:

- (a) the Early Redemption Date or the Actual Date of Redemption of the Notes, as applicable;
- (b) relevant information pursuant to Clause 7.1 (*Report; Documents; Information*) of the Trust Agreement;
- (c) the determination of Appraised Losses and/or Appraised Values and any other determinations pursuant to the Terms and Conditions for the purposes of the Early Redemption, if relevant;
- (d) the reasons for the Early Redemption and determinations for the purposes of Section 10.2 (*Termination for Default –Method and Amount*) and Section 12 (*Deferred Redemption*) of the Terms and Conditions, if relevant;
- (e) details of any Deferred Amounts for the purposes of Section 10.2 (*Termination for Default –Method and Amount*) and Section 12 (*Deferred Redemption*) of the Terms and Conditions; and
- (f) Deferred Redemption Amounts with respect to each Note to be redeemed on the Actual Date of Redemption of the Notes or the Early Redemption Date, as relevant.

Reference Banks

means four major banks in the Euro-zone interbank market selected by the Principal Paying Agent which offer rates for the determination of EURIBOR in case EURIBOR does not appear on Telerate Page 248 at approximately 11:00 a.m. (Brussels time) on the EURIBOR Determination Date to prime banks in the Euro-zone interbank market for the relevant Interest Accrual Period and in a principal amount equal to an amount that is representative for a single transaction in such market at such time.

Reference Collateral

means all or any part of:

- (a) collateral or other security,
- (b) the rights under direct agreements, collateral warranties, shareholder or sponsor support agreements,
- (c) the right to receive proceeds following termination of the concession agreement,
- (d) the right to receive insurance proceeds and
- (e) any similar or analogous right to any of (a) to (d),

in each case howsoever described, which may from time to time be held or acquired by the relevant Bank Entity, an Agent Bank, a Bond Trustee, a Security Trustee, a Participant or another third party for the relevant Bank Entity's, Agent Bank's or Participant's benefit.

Reference Obligation

means each Project Loan or a Project Guarantee Indemnity (as applicable) or any part thereof which is included in the Reference Pool:

- (a) as of the Cut-off and Issue Date in accordance with Provision 2 (*Reference Obligations*) of the Reference Pool Provisions, or
- (b) from time to time thereafter as of any Replenishment Date in accordance with Provision 5 (*Replenishment*) of the Reference Pool Provisions, and not removed from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions,

provided that if an Increase Amount is added to the Reference Pool by way of Replenishment, the Reference Obligation to which the Increase Amount is added and the Increase Amount shall as of the relevant Replenishment Date form a single Reference Obligation.

For the avoidance of doubt, the term Reference Obligation shall include € Reference Obligations as well as Non-€ Reference Obligations.

Reference Obligation List

means the list a template of which is attached as Appendix F to the Terms and Conditions containing the agreed information (in particular, in respect of a Non-€ Reference Obligation, the corresponding Exchange Rate) regarding the characteristics of the Reference Pool delivered by the Bank to the Trustee:

- (a) in respect of the Initial Reference Pool, to be delivered on or prior to the Issue Date, and
- (b) in respect of the Reference Pool as at each Replenishment Date.

Reference Number	means, in relation to any Reference Obligation, the reference number attributed to such Reference Obligation by the Bank, as specified in the Reference Obligation List.
Reference Pool	means the pool of Reference Obligations, from time to time.
Reference Pool Provisions	means the requirements and conditions pursuant to which the Reference Pool is constituted and with which the Reference Pool must comply, as set out in Appendix B to the Terms and Conditions.
Regular Notification	means a notification from the Issuer or the Principal Paying Agent on its behalf given in accordance with and containing the information set out in Section 17.1 (Investor Notifications – Regular) of the Terms and Conditions.
Related Collection Period	means, in connection with a Payment Date or the Termination Date, the Collection Period immediately preceding such Payment Date.
Related Financing Documents	means in relation to a Reference Obligation, the agreements and/or other documents evidencing the transactions contemplated by such Reference Obligation.
Relevant Country	means the Eligible Country to which a Reference Obligation relates and which is the country whose central government or local government the Relevant Public Sector Entity forms part of (or is an office, agency or instrumentality of).
Relevant Project	means the Eligible Project to which a Reference Obligation relates and which is the business of the relevant Project Contractor in respect of that Reference Obligation.
Relevant Project Agreement	means the Eligible Project Agreement to which a Reference Obligation relates and to which the relevant Project Contractor in respect of that Reference Obligation is a party.
Relevant Project Sector	means the Eligible Project Sector to which a Reference Obligation and the Relevant Project in respect of that Reference Obligation relates.
Relevant Public Sector Entity	means the Eligible Public Sector Entity to which a Reference Obligation relates and which is the counterparty to the Relevant Project Agreement in respect of that Reference Obligation;
Relevant Report Date	means the Report Date immediately following a given Collection Period.

Replacement Asset	means in respect of a Syndicate Write-down Amount, an asset or instrument created, transferred or issued by the Borrower to the relevant Lender as well as any incremental income or fees given by the Borrower to the relevant Lender in consideration of the relevant Syndicate Payment Forfeiture.
Replenishment	means the addition of one or several new Reference Obligation(s) to the Reference Pool pursuant to Provision 5 (<i>Replenishment</i>) of the Reference Pool Provisions.
Replenishment Capacity	<p>means at any Replenishment Date during the Replenishment Period, the sum of:</p> <p>(a) the excess, if any, of:</p> <p style="margin-left: 40px;">(i) the Scheduled Pool Nominal Amount corresponding to the Collection Period ending on, and including, such Replenishment Date over</p> <p style="margin-left: 40px;">(ii) the sum of:</p> <p style="margin-left: 80px;">A. the aggregate Outstanding Nominal Amount of all Reference Obligations, and</p> <p style="margin-left: 80px;">B. the aggregate Scheduled Removed Amounts corresponding to the Collection Period ending on, and including, such Replenishment Date,</p> <p style="margin-left: 40px;">determined in each case prior to any Re-set that may occur on such Replenishment Date,</p> <p>and</p> <p>(b) the aggregate of all decreases of the Outstanding € Equivalent Amounts of such Non-€ Reference Obligation which are subject to a Re-set on such Replenishment Date.</p>
Replenishment Criteria	means the criteria set out under Provision 5 (<i>Replenishment</i>) of the Reference Pool Provisions.
Replenishment Date	means in respect of any Replenishment Obligation, the final day of the Collection Period immediately preceding the Payment Date on which such Replenishment Obligation is to be added to the Reference Pool during the Replenishment Period.
Replenishment Obligation	means any Reference Obligation added to the Reference Pool by the Bank during the Replenishment Period in accordance with the Reference Pool Provisions (including Increase Amounts added in connection with a Replenishment).

Replenishment Period	means the period from (and including) the Issue Date until the earlier of: <ul style="list-style-type: none"> (a) (the day before) the Payment Date falling in July 2011 and (b) the day on which a Replenishment Termination Event occurs.
Replenishment Pool Reduction	means as of a Payment Date the sum of: <ul style="list-style-type: none"> (a) the Pool Reduction (excluding, Maturity Overrun Amounts and, for the avoidance of doubt, Collections) during the Related Collection Period, (b) the result of the following calculation: $\text{Min} \{(x-y); (x-z)\}$ (subject to a minimum of zero), provided that any Excess Amount may with respect to any subsequent Payment Date(s), if and to the extent that on any such Payment Date(s), y exceeds z, be applied as further Replenishment Pool Reduction as long as (z) is at all times fully protected; and (c) any part of the Replenishment Capacity that the Bank chooses to be allocated to the Notes as of such Payment Date by way of a Replenishment Pool Reduction Notice pursuant to Provision 5 (<i>Replenishment</i>) of the Reference Pool Provisions. <p>For the purposes of (b):</p> <ul style="list-style-type: none"> (x) means the Scheduled Pool Nominal Amount with respect to the immediately preceding Payment Date, (y) means the Scheduled Pool Nominal Amount with respect to such Payment Date, (z) means the aggregate Outstanding Nominal Amount of all Reference Obligations as of the last day of the Related Collection Period, and <p>"Excess Amount" means on any Payment Date (y)-(z).</p>
Replenishment Pool Reduction Notice	means a notice by the Bank pursuant to Provision 5 (<i>Replenishment</i>) of the Reference Pool Provisions.
Replenishment Termination Event	means the earlier of: <ul style="list-style-type: none"> (a) the delivery of a Credit Event Notice by the Bank to the Trustee and the Counterparty, provided that such delivery of a Credit Event Notice shall be deemed not to have occurred if and as of the date the Bank has sent to the Trustee and the Counterparty a Zero Loss Notice, and (b) the date on which a Notice Default Obligation comes into existence unless the Bank delivers to the Issuer a Zero Loss Notice.
Report Date	means, with respect to each Collection Period, the 10 th Business Day following the end of such Collection Period.

Reports	means the Pool Reports, the Legal Maturity Report, the Scheduled Maturity Report and the Redemption Report.
Required Rating	means, in respect of the Transaction Account Bank, each of the following short term debt ratings: A-1 by S&P, F1 by Fitch.
Re-set	means, with respect to a Re-set Date, the re-set of the Outstanding € Equivalent Amounts in the Re-set Currency by new Outstanding € Equivalent Amounts to be specified, together with the relevant Exchange Rate, in the Re-set Information.
Re-set Conditions	means the re-set conditions set out in Provision 2.3(b) (<i>Reference Obligations – Non-€ Reference Obligations; Re-sets</i>) of the Reference Pool Provisions.
Re-set Currency	means on any Re-set Date the currency of the Non-€ Reference Obligations denominated in the same currency which is the subject of the relevant Re-set.
Re-set Date	means: <ul style="list-style-type: none"> (a) during the Replenishment Period, any Replenishment Date and (b) after the end of the Replenishment Period until (but excluding) the Scheduled Maturity Date, the final day of the Collection Period immediately preceding a Payment Date.
Re-set Information	means information provided by the Bank to the Trustee as part of the relevant Pool Report in respect of a Re-set effected on the immediately preceding Re-set Date in accordance with Provision 2.3(e) (<i>Reference Obligations – Non-€ Reference Obligations; Re-sets</i>) of the Reference Pool Provisions.
Re-set Ratio	means in respect of each Re-set Date and each Non-€ Reference Obligation the ratio between: <ul style="list-style-type: none"> (a) the Outstanding € Equivalent Amount following the Re-set occurring on such Re-set Date (numerator), and (b) the Outstanding € Equivalent Amount prior to the Re-set occurring on such Re-set Date (denominator).
Resignation Notice	means a notice to the Noteholders by the Trustee that it will resign as Trustee pursuant to Clause 24.1 (<i>Termination; Replacement</i>) of the Trust Agreement for Serious Cause (<i>aus wichtigem Grund</i>) and to be given pursuant to Section 18 (<i>Form of Notices</i>) of the Terms and Conditions.
S&P	means Standard & Poor's, a division of The McGraw-Hill Companies Inc. and any successor to its rating business.

S&P SROC Test	means, at any time, the SROC percentage calculated by the S&P CDO Evaluator in accordance with S&P's published guidance, as amended from time to time with respect to each Class of Notes.
S&P CDO Evaluator	means a dynamic, analytical computer programme developed by Standard & Poor's and used to determine the credit risk of a portfolio of debt securities and provided to the Bank on or before the date hereof, as such programme may be modified by S&P from time to time.
Scheduled Allocated Amount	<p>means, in each case when the Bank notifies the Trustee that Replenishment Capacity shall be allocated to the Notes by way of a Replenishment Pool Reduction Notice pursuant to Provision 5 (<i>Replenishment</i>) of the Reference Pool Provisions, a proportional share of the Scheduled Capacity (which existed at the time of such notification before the allocation of Replenishment Capacity) as of the last day of the relevant Collection Period.</p> <p>Such proportional share shall be equal to the proportion of:</p> <ul style="list-style-type: none"> (a) the amount to be allocated to the Notes, to (b) the Replenishment Capacity, as of the relevant Payment Date (before the allocation of Replenishment Capacity).
Scheduled Capacity	<p>means, in respect of the last day of each Collection Period:</p> <ul style="list-style-type: none"> (a) the Scheduled Pool Nominal Amount minus (b) the aggregate of: <ul style="list-style-type: none"> (i) all Scheduled Obligation Nominal Amounts of all Reference Obligations, (ii) the aggregate Scheduled Obligation Nominal Amount as of such date of all Reference Obligations which have been removed from the Reference Pool pursuant to Provision 9 (<i>Removals</i>) of the Reference Pool Provisions, and (iii) all Scheduled Allocated Amounts determined prior to such date.
Scheduled Maturity Date	means the Payment Date falling in October 2042.

Scheduled Maturity Report

means the Pool Report to be delivered to the Trustee by the Bank on the Report Date immediately preceding the Scheduled Maturity Date which includes in addition to the information pursuant to Clause 7.1 (*Report; Documents; Information*) of the Trust Agreement *inter alia* the following:

- (a) details with respect to the Deferred Amounts;
- (b) information on determination of Appraised Values and Appraised Losses, if applicable; and
- (c) redemption amounts with respect to each Note to be redeemed on the Scheduled Maturity Date.

Scheduled Obligation Nominal Amount

means, in respect of the last day of each Collection Period, the amount set out opposite such date in the amortisation profile sent by the Bank to the Trustee with respect to each Reference Obligation which shall mirror the amortisation of such Reference Obligation as contractually required in the underlying agreement (as amended) or which, due to the inclusion of only such part of the relevant Reference Obligation which amortises first, constitutes a faster amortisation, provided that the Scheduled Obligation Nominal Amount of Reference Obligations removed from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions shall not be changed after it has been removed. In respect of a Non-€ Reference Obligation such amount shall be expressed in € and shall be adjusted by the Re-set Ratio on each Re-set Date.

Scheduled Pool Nominal Amount

means, in respect of the last day of each Collection Period, the amount set out opposite such date in the Schedule "Pool Amortisation Profile" attached as Appendix to the Reference Pool Provisions which shall be expressed in €

Scheduled Removed Amount

means, in respect of the last day of each Collection Period, an amount expressed in € being the sum of:

- (a) the aggregate Scheduled Obligation Nominal Amount as of such date of all Reference Obligations which have been removed from the Reference Pool pursuant to Provision 9 (*Removals*) of the Reference Pool Provisions and
- (b) the aggregate Scheduled Allocated Amounts,

provided that:

- (i) the Scheduled Obligation Nominal Amount of a Write-down Amount shall with respect to each subsequent Payment Date be deemed to be a proportion of the relevant Scheduled Obligation Nominal Amount set forth in the relevant loan amortisation profile equal to (aa) the Write-down Amount divided by (bb) the Outstanding Nominal Amount of the relevant Reference Obligation prior to the write-down, and
- (ii) the Scheduled Obligation Nominal Amount of a Defaulted Reference Obligation (including a Reference Obligation which has been subject to a Syndicate Payment Forfeiture) shall with respect to each subsequent Payment Date be deemed to be the Scheduled Obligation Nominal Amount set forth in the relevant loan amortisation profile which applied at the time the relevant Credit Event occurred.

Second Pledge

means each of the pledges granted by the Issuer to the Pledgee under Clause 1.2 (*Second Pledges over Certificates*) of the Noteholder Security Agreement. Together these pledges are referred to as the "**Second Pledges**".

Security Agent

the security agent appointed with respect to a Syndicated Reference Obligation.

Security Trustee

the security trustee appointed with respect to a Syndicated Reference Obligation.

Senior Swap

means a credit default swap into which the Counterparty as protection buyer intends to enter with the Senior Swap Counterparty as protection seller on or around the Issue Date.

Senior Swap Counterparty

means the protection seller which is a party to the Senior Swap with the Counterparty as protection buyer.

Serious Cause

means any serious cause (*wichtiger Grund*) pursuant to which a German law governed agreement may be terminated without notice period.

In particular, in respect of the Bank Swap such "Serious Cause" occurs, *inter alia*, where a payment or other performance due by the Bank under the Bank Swap has not been received by the Counterparty or performed, for whatever reason within five Business Days after the Bank has been notified of non-receipt of the payment or other non-performance.

Servicer

means the relevant Bank Entity in its capacity as servicer in relation to a Reference Obligation.

Servicing and / or Service

means:

- (a) in respect of a Reference Obligation that is neither a Syndicated Reference Obligation nor a Subparticipation the monitoring, administration, collection and enforcement of such Reference Obligation, including if appropriate in the judgement of the relevant Servicer the enforcement of the related Reference Collateral;
- (b) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the Agent Bank or the Bond Trustee is not the relevant Bank Entity, the timely monitoring and administration of such Reference Obligation, including responding to and communicating with the Agent Bank, the Bond Trustee, the Security Agent, if any, and the Security Trustee, if any, and casting the Servicer's vote in any decision required under the Related Financing Documents;
- (c) in respect of a Reference Obligation that is a Syndicated Reference Obligation and where the relevant Bank Entity is the Agent Bank, the monitoring, administration, collection and enforcement of such Reference Obligation in accordance with the Related Financing Documents, including if required:
 - (i) responding to and communicating with the Syndicate of Lenders, the Security Agent, if any and the Security Trustee, if any, and
 - (ii) enforcement of the Reference Collateral if such is in the scope of the Agent Bank's authority all in accordance with the powers of the Agent Bank and where appropriate, the instructions of the Syndicate of Lenders; and
- (d) in respect of a Reference Obligation that is a Subparticipation, the timely monitoring and administration of such Reference Obligation, including responding to the Participant where required and exercising such rights of decision making as are granted by the underlying subparticipation agreement.

Servicing Standards

means the material lending criteria, operating procedures and foreclosure procedures for the Reference Obligations as set out in Appendix C to the Terms and Conditions (as amended, varied or supplemented from time to time in accordance with the Transaction Documents).

Short Term Rating Requirement	means a short term rating of the Bank of at least A-1+ by S&P and F1 by Fitch, and in the case of the Transaction Account Bank, of A-1 by S&P and F1 by Fitch.
SROC	means the synthetic rated overcollateralisation.
Sterling or £	means the lawful currency of the United Kingdom.
Subparticipation	means a subparticipation in respect of a Reference Obligation granted by a Participant to a Bank Entity under which such Bank Entity has a contractual right with recourse to the Participant for a specified share of any payments due under the relevant Reference Obligation which are received by the Participant.
Subscription Agreement	means the subscription agreement for the Notes between the Issuer and the Lead Manager, dated 11 July 2006.
Swap Agreements	means the Senior Swap and the Bank Swap.
Swap Factor	means the Initial Senior Notional Amount divided by the initial Class Principal Amount of the Class A+ Notes.
Sweep Date	means in connection with a Miniperm Loan, the last day of a set period after first disbursement of such Miniperm Loan.
Syndicate of Lenders	means a group of banks and other investors or lenders, including a Bank Entity, that holds an interest in the same Syndicated Reference Obligation.
Syndicate Payment Forfeiture	<p>means an agreement pursuant to which in respect of a Syndicated Reference Obligation in accordance with the Servicing Standards and the Credit and Collection Policies, the relevant Lender agrees to forego a payment due under the loan agreement for a Project Loan or Project Guarantee Indemnity, <i>provided that</i>:</p> <p>(a) such write down applies to all lenders in the Syndicate of Lenders pro rata to their holdings of the loan and has been agreed unanimously and the Bank has not entered into any agreement pursuant to which it would be obliged to reimburse the other lenders in the Syndicate of Lenders for any losses incurred by them in respect of their respective portion of the principal of the relevant Reference Obligation as a result of a Syndicate Payment Forfeiture other than for such amounts that shall be payable pursuant to the underlying loan agreement or documents related thereto (including (without limitation) any adjustments agreed by the Syndicate of Lenders in respect of fee or margin arrangements),</p>

- (b) the terms of the loan and other relevant financing agreements are such that the relevant Lender cannot unilaterally cause such write down to be agreed,
- (c) the relevant Lender has not entered into any arrangement for the sharing with any other syndicate member of payments from the Counterparty under the Bank Swap in respect of Realised Losses on such Syndicated Reference Obligation, and
- (d) the payment foregone under such loan agreement for a Project Loan or Project Guarantee Indemnity agreement is not less than € 150,000 or, if lower, not less than 50% of the Outstanding Nominal Amount of such Syndicated Reference Obligation and has not been made within the greater of:
 - (i) 30 calendar days and
 - (ii) the actual grace period applicable in accordance with the terms of the Related Financing Documents from the relevant due date.

**Syndicate Payment Forfeiture
Removal Amount**

means the Outstanding Nominal Amount of a Reference Obligation with respect to which a Syndicate Payment Forfeiture has occurred, less the relevant Syndicate Write-down Amount.

Syndicate Write-down Amount

means the amount by which a Reference Obligation is written-down in accordance with Syndicate Payment Forfeiture from which any Collections shall be deducted in accordance with the Allocation Rule.

Syndicated Reference Obligation

means a Reference Obligation (including bonds) extended by a Syndicate of Lenders.

TARGET Settlement Day

means any day on which TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

Tax Event	means any enactment or establishment of or supplement or amendment to, or change in, the laws of the Federal Republic of Germany or Ireland, or an official communication of previously not existing or not publicly available official interpretation of such laws, or a change in the official interpretation, implementation or application of such laws, in each case that becomes effective on or after the Issue Date, as a result of which, in the determination of the Bank, subject to the professional judgement of the Trustee, for reasons outside its control the Bank and/or the Issuer would be required to pay any additional amounts on account of taxes resulting from a change in the Issuer's status for German tax purposes and/or to make any tax withholding or deduction in respect of any payments on the Notes, the Certificates and/or the Swap Agreements or the Issuer would be required to pay any insurance tax in respect of the Notes.
Telerate Page 248	means the display page so designated on the telerate service (or such other page as may replace that page on that service or such other service or services as may be nominated for the purpose of displaying Euro-zone interbank offered rates for € deposits).
Temporary Global Note	means a temporary global bearer note without interest coupons by which each Class of Notes is initially represented.
Termination Date	means the date on which: <ul style="list-style-type: none"> (a) an Automatic Termination Event occurs, or (b) the first early redemption notice from a Noteholder pursuant to Section 10.1(b) (<i>Termination for Default – Automatic Termination Event, Default Events</i>) of the Terms and Conditions is delivered (<i>Zugang</i>) pursuant to Section 10.1(b) (<i>Termination for Default – Automatic Termination Event, Default Events</i>) of the Terms and Conditions, unless on such day the Default Event has been remedied.
Terms and Conditions	means the terms and conditions of the Notes.
Threshold Amount	means € 15,750,000.
Transaction	means Transaction Documents together with the conclusion and performance of the Transaction Documents as well as all other acts, undertakings and activities connected therewith.

Transaction Account	means the current account with the following details: acc.no.: 0000000976 sort code: 500 500 00 BIC: HELADEF F IBAN: DE05 5005 0000 0000 0009 76 for amounts in Euro opened by the Issuer with the Transaction Account Bank maintained for the purposes of the Transaction.
Transaction Account Agreement	means the agreement in respect of the Transaction Account dated as of 29 May 2006 between the Issuer, the Trustee and the Transaction Account Bank whereby the term shall include any other agreement in respect of the Transaction Account.
Transaction Account Bank	means Landesbank Hessen-Thüringen Girozentrale, Main Tower, Neue Mainzer Straße 52-58, 60311 Frankfurt am Main, Federal Republic of Germany or any replacement Transaction Account Bank pursuant to the Transaction Account Agreement.
Transaction Creditors	means the Noteholders and the Senior Swap Counterparty.
Transaction Definitions Schedule	means this schedule as transaction definitions schedule.
Transaction Documents	means the Notes, including the Transaction Definitions Schedule, Terms and Conditions, the Reference Pool Provisions, the Servicing Standards, the Trust Agreement, the Certificate Purchase Agreement, the Certificates, the Noteholder Security Agreement, the Administration Agreement, the Agency Agreement, the Subscription Agreement, the Transaction Account Agreement and the Swap Agreements.
Trust Agreement	means the trust agreement between the Issuer, the Bank, the Counterparty and the Trustee dated 18 July 2006.
Trustee	means Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Schwannstraße 6, 40476 Düsseldorf, Federal Republic of Germany or any successor appointed as Trustee in accordance with the Trust Agreement.
Trustee Claim	means a separate claim granted by the Issuer to the Trustee as set out in Clause 3 (<i>Trustee Claim; Transaction Account</i>) of the Trust Agreement.
Trustee Collateral	means the claims and rights pledged and charged as set out under Section 3.1 (<i>Trustee Collateral; Noteholder Collateral – Trustee Collateral</i>) of the Terms and Conditions.
Trustee Documents	means the Trust Agreement and the Terms and Conditions.

Trustee Duties	means the duties of the Trustee in accordance with the Trust Agreement.
Trustee Resignation Effective Date	means the expiration of the 30 th Business Day following the delivery of a Resignation Notice.
Underlying Project Finance Loan	means, in respect of a Project Guarantee Indemnity, a claim, including a partial claim, owed by the Borrower to or for the benefit of the relevant lender or lenders for the repayment of principal under the project finance loan which is guaranteed and whose guarantee the Project Guarantee Indemnity relates to.
Undrawn Principal Amount	means at any time in respect of any Reference Obligation, the amount undrawn under such Reference Obligation.
United States	means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).
Unjustified Cash Settlement	means the payment of a Cash Settlement Amount under the Swap Agreements resulting from an Unjustified Loss Allocation.
Unjustified Loss Allocation	means any Loss Allocation or any part thereof which was not made in compliance with Section 13 (<i>Loss Allocation</i>) of the Terms and Conditions.
US\$	means the lawful currency of the United States of America.
Value Experts	means independent experts in respect of a Reference Obligation and the related Reference Collateral who are members of the Royal Institute of Chartered Accountants appointed by the Trustee to determine any expected late recoveries in respect of each Reference Obligation, if required, pursuant to Clause 13.5 (<i>Value Experts for Determination of Appraised Values and Appraised Losses</i>) of the Trust Agreement but which: <ul style="list-style-type: none"> (a) are not an affiliate or related party of either the Counterparty, the Bank, any other Bank Entity, the Issuer or the Trustee and (b) have not been involved as an Expert in connection with the same Reference Obligation.
Wrapped Bond/Loan	means a bond/loan where the payments of principal and interest are unconditionally and irrevocably guaranteed by a Credit Insurer pursuant to a financial guarantee policy issued by the Credit Insurer in favour of the Security Agent, the Security Trustee or the Bond Trustee.

Write-down Amount

means, with respect to a Reference Obligation which is not a Syndicated Reference Obligation:

- (a) such part of the Reference Obligation which has been written-down by the relevant Bank Entity, or
- (b) in the case of a Reference Obligation which has been substituted by a New Reference Obligation, the excess, if any, of:
 - (i) the Outstanding Nominal Amount of such Reference Obligation immediately prior to such substitution, over
 - (ii) the principal amount of the New Reference Obligation (converted into € at the Exchange Rate in the case of a Non-€ Reference Obligation).

Zero Loss Notice

means a notice to be given by the Bank confirming that, in the determination of the Bank:

- (a) in the case of a Notice Default Obligation, the Credit Event would not have resulted in a Realised Loss had a Credit Event Notice been given by the Bank, and
- (b) in the case of any other Reference Obligation, no Credit Event for which a Credit Event Notice has been given in respect of such Reference Obligation will result in a Realised Loss.

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